1999 SENATE APPROPRIATIONS

SB 2168

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2168

Senate Appropriations Committee

❑ Conference Committee

Hearing Date January 28, 1999

Tape Number	Side A	Side B	Meter #
1		X	480-3655
2-11-99 1		X	1840-2214
Committee Clerk Signature	Kathy C. Kottenbrock		

Minutes:

SENATOR NETHING: Opened the hearing on SB2168; A BILL FOR AN ACT TO CREATE AND ENACT A NEW CHAPTER TO TITLE 6, A NEW SECTION TO CHAPTER 50-24.4, AND A NEW CHAPTER TO TITLE 50 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO A FUNDING POOL TO ESTABLISH THE NORTH DAKOTA HEALTH CARE TRUST FUND TO MAKE GRANTS AND LOANS TO SUPPORT DEVELOPMENT OF ADULT RESIDENTIAL CARE FACILITIES, ASSISTED LIVING FACILITIES, AND OTHER ALTERNATIVES TO NURSING FACILITY CARE; TO REPEAL CHAPTER 50-21 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO THE ADMINISTRATION OF A REVOLVING FUND FOR NURSING HOMES AND HOMES FOR AGED; TO PROVIDE CONTINUING APPROPRIATIONS TO MAKE FUNDING POOL PAYMENTS AND DISBURSEMENTS FROM THE NORTH DAKOTA HEALTH CARE TRUST FUND; TO DECLARE A RETROACTIVE APPLICATION; AND TO DECLARE AN EMERGENCY.

SHELDON WOLF: Assistant Director of Medical Services for the Department of Human Services to testify in support of SB2168 (testimony attached (tape 1, side B, meter 480-1395).

SENATOR ST. AUBYN: The public facilities that would utilize this, are they skilled nursing? Do they have to be skilled nursing?

SHELDON WOLF: These are both skilled nursing facilities and the payment mechanism is through the skilled nursing process.

SENATOR ST. AUBYN: Is there an advantage to the State that some of the skilled nursing become public? We could even capture more dollars because there is more of them or are we already capturing between the two the maximum amount that we could?

SHELDON WOLF: We calculate it on a statewide pool and pay it to those two. If we have three or four it won't make any difference. You pay out $10,000 to each one, so we would have less money in the long term.

SENATOR ST. AUBYN: The $10,000 allocated, is that because of their administrative costs or where did the $10,000 come from?

SHELDON WOLF: That was just an amount we had used to give an incentive do it and cover the costs associated with it.

SENATOR ST. AUBYN: In your flow chart, when you get down to section e, is there any provision that would say that we would have to do anything beyond that, could all the funds that go directly in that General Fund and that's for whatever use? Is their a restriction on those funds?

SHELDON WOLF: No, there isn't. I would not recommend doing that because this money gives us an opportunity to go and delicense some beds and create other alternatives. This is my own opinion, I think when the Federal Government takes a look at these things, their saying that we're trying to reduce the costs which ultimately returns their cost. Hopefully, they are going to look at it and not stop this Intergovernmental Transfer program because it is an option at any point in time for them to do it.

SENATOR KRAUTER: I need to understand the pool, Federal and General. I thought this was all Federal?

SHELDON WOLF: When we establish the pool, we take the Medicare upper limit rate and the Medicaid average rate for that facility and come up with the difference. We do that for all of the Nursing Homes and come up with a total, then we establish the pool, that is roughly $10M a year. We pay that out through our current rate structure to those two facilities, which is a 70-30% because we have to provide the match to the Federal Government. As it comes down to the Treasurer' office, they put the money we use for the 30% match back into the General Fund and the 70% that the Federal Government has paid us through this process, is put into the Trust Funds. We have to match that money when were using it for the expenditures. In essence, we're borrowing the money from the General Funds.

SENATOR BOWMAN: How do we track this money?

SHELDON WOLF: We would establish the pool payment and that would actually be made once a year through our MMIS system. When the auditors come in there would be an actual trail of that process. Then the payment coming back in comes into the Treasurer's office and they'll have the receiving in their office for the revenue coming in showing the transfers into the Trust Funds. Then through our policies and procedures we will be able to show everything that's paid out of the Trust Fund.

SHELLY PETERSON: President of the North Dakota Long Term Care Association to testify in support of SB2168 (testimony attached (meter 1980-2700).

SENATOR BOWMAN: Our Nursing Home has done a study on what the long term goals are for our community and the beds they are going to need to require the care. I believe right now the statistics we show for our community we actually need as many long term beds as we have. We also need alternative care that's less expensive. They're trying to provide that so the patients aren't spending as many days in the long term care. If that was the case and they actually didn't show a bed reduction would they qualify for any of this if they did move to a different type of care which is less expensive?

SHELLY PETERSON: The way the bill is written, clearly priority would be given to facilities that reduce beds. The way it reads, it doesn't preclude a community from applying and potentially receiving funds. The rules are yet to be developed and they may or may not be given the ability to apply for these funds depending on those rules.

SENATOR BOWMAN: If we had $50M coming from this source, then you'd say it's all right to cut $50M out of the current budget so that we'd be break-even?

SHELLY PETERSON: No, I'm not suggesting that at all. This money is a viable funding source to develop alternatives, transition the system.

SENATOR ST. AUBYN: You had talked about some amendments, were they offered at the Human Service Committee?

SHELDON WOLF: It was referred to the Human Service Committee and rereferred to you guys. We never testified at all.

SENATOR NETHING: So these are amendments you want us to consider?

SHELDON WOLF: Yes, that's correct. They are included as attachments their.

SENATOR KRAUTER: You estimate the program will generate $50M in grants and loans, that's the net. Then we're to anticipate about $20.3M in revenues through this Intergovernmental Transfer?

SHELDON WOLF: That's correct. When we're talking about the revenues that are coming back in, that's the stuff coming back into the Treasurer's office and that's the full payment out to the two facilities less $10,000.

SENATOR KRAUTER: You have it identified, General Funds $6M and Special Funds $14M. What's the difference their?

SHELDON WOLF: The $6M General Fund money is the General Funds that we've paid out in the pool. The $14M coming back in revenue is the actual Federal dollars coming back to us.

SENATOR KRAUTER: You have the estimated costs for the two positions and associated operating costs are $226,000 of which is 100% Federal money?

SHELDON WOLF: No, it's 50% Federal money and 50% money out of the Trust Fund to match that 50%. Once it comes back into us it's not Federal money anymore, it looses it's identity in that case.

SENATOR NAADEN: It must be Special Funds then, it can't be General Funds?

SHELDON WOLF: When it comes back into us, it's considered Special Funds.

SENATOR ANDRIST: Does the money in this Trust Fund have to be appropriated?

SHELDON WOLF: We have continuing appropriations for those funds.

SENATOR BOWMAN: Does there ever come a point in time where we think we've done enough changing and now we become good at what we've done after we've changed, so we don't continue to bleed the system. I understand what we are trying to do and this is not a bad way to get there.

SHELDON WOLF: That is a good point. Sooner or later down the road when we don't have anymore proposals coming in, hopefully we will be done with that.

SENATOR KRAUTER: If an existing facility wants to be sold and a political buys it, that would create a third person in here?

SHELDON WOLF: That would be correct and that would then have a third political subdivision to pay to.

ALLEN METZGER: Administrator of Golden Acres Manor, Carrington (meter 3498-3650). Since we were included in the testimony of Sheldon Wolf, we have been dubbed as a special project. I would like to introduce the other people in the testimony, Brian McDermott is from the Carrington Health Center and Tim Hager is from the Lutheran Home of the Good Shepherd. We are available by phone or we would come down if you want more information on this pilot project. We excited about it.

SENATOR NETHING: Closed the Hearing on SB2168.

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2/11/99

SENATOR NETHING: Reopened the hearing on SB2168.

SENATOR ST. AUBYN and SENATOR SOLBERG: Explained the amendments to SB2168.

SENATOR NETHING: Called for the motion on the amendments to SB2168.
SENATOR ST. AUBYN: Moved a Do Pass on the amendment to SB2168.
SENATOR SOLBERG: Seconded the motion.
ROLL CALL: UNANIMOUS

SENATOR NETHING: Called for the motion on SB2168 as amended.
SENATOR ST. AUBYN: Moved a Do Pass as amended on SB2168.
SENATOR SOLBERG: Seconded the motion.
ROLL CALL: 14 YEAS; 0 NAYS; 0 ABSENT & NOT VOTING.

CARRIER: SENATOR ST. AUBYN

SENATOR NETHING: Closed the hearing on SB2168.

FISCAL NOTE

(Return original and 13 copies)
Bill / Resolution No.: _____ Amendment to: Engrossed SB 2168

Requested by Legislative Council Date of Request: 04/05/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

Narrative:

This bill creates a funding pool to establish the North Dakota Health Care Trust Fund to make grants and loans to support the development of basic care facilities, assisted living facilities, other alternatives to nursing facility care and supplant $4,262,410 of general funds in SB2012 for the SPED program.

This bill authorizes the Department to pay additional grant expenditures to the two nursing facilities which are owned by political subdivisions and to fund two positions to administer the program with an estimated cost of $12,409,448 of which $3,618,391 is general funds. The bill also generates $12,143,210 in revenues, of which $3,618,391 would be deposited into the state's general fund and $8,524,820 would be deposited into the North Dakota Health Care Trust Fund. Of the first $8,524,820 deposited in the Health Care Trust Fund $4,262,410 must be available for funding the service payments for the elderly and disabled program (SPED) to be appropriated in SB2012.

This bill appropriates funds for the activities associated with the North Dakota Health Care Trust Fund. The Department estimates $4,336,950 will be expended from the trust fund in the form of loans or grants in the 1999-2001 biennium. We also estimate $13,358 to be paid to the Bank of North Dakota in administrative loan fees, and interest income generated on loans and the trust fund to be $190,460.

2. State fiscal effect in dollar amounts:

	1997-1999 Biennium		1999-2001 Biennium		2001-2003 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:						
From Cities	-0-		3,618,391	8,524,819	3,628,391	8,514,819
Grant Expenditures:	-0-		3,618,391	8,564,819	3,628,391	8,554,819
Revenues:						
Loan Fund Interest	-0-			113,545		436,484
Trust Fund Interest	-0-			76,915		56,121
Expenditures:						
Loans/Grants	-0-			4,336,950		4,643,967
BND Admin. Fee	-0-			13,358		38,033
DHS Operating Cost	-0-			226,238		237,154
SPED	-0-		(4,262,410)	4,262,410	(4,257,409)	4,257,409

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

	Revenues	Expenditures
a. For rest of 1997-99 biennium:	-0-	-0-
b. For the 1999-01 biennium:	12,333,670	16,759,756
c. For the 2001-03 biennium:	12,635,815	17,102,364

4. County, City, and School District fiscal effect in dollar amounts:

	1997-1999 Biennium			1999-2001 Biennium			2001-2003 Biennium		
	Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
Revenues		-0-			12,183,210			12,183,210	
Expenditures		-0-			12,143,210			12,143,210	

If additional space is needed, attach a supplemental sheet.

Signed Brenda M. Weisz

Typed Name Brenda M. Weisz

Date Prepared: April 6, 1999

Department Human Services

Phone No. 328-2397

FISCAL NOTE

(Return original and 13 copies)

Bill / Resolution No.: SB 2168 Amendment to:

Requested by Legislative Council Date of Request: 01/04/99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

   Narrative:

   This bill creates a funding pool to establish the North Dakota Health Care Trust Fund to make grants and loans to support the development of adult residential care facilities, assisted living facilities and other alternatives to nursing facility care.

   This bill authorizes a continuing appropriation to pay additional grant expenditures to the two nursing facilities and to fund two positions to administer the program with an estimated cost of $20,543,942, of which $6,058,739 is general funds. The bill also generates $20,277,704 in revenues, of which $6,058,739 would be deposited into the state's general fund and $14,218,965 would be deposited into the North Dakota Health Care Trust Fund.

   This bill authorizes a continuing appropriation for the activities associated with the North Dakota Health Care Trust Fund. The Department estimates $14,785,547 will be expended from the trust fund in the form of loans or grants in the 1999-2001 biennium. We also estimate $48,512 to be paid to the Bank of North Dakota in administrative loan fees, and interest income generated on loans and the trust fund to be $645,819.

2. State fiscal effect in dollar amounts:

	1997-1999 Biennium		1999-2001 Biennium		2001-2003 Biennium	
	General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds
Revenues:						
From Cities	-0-		6,058,739	14,218,965	6,070,930	14,206,774
Grant Expenditures:	-0-		6,058,739	14,258,965	6,070,930	14,246,774
Revenues:						
Loan Fund Interest	-0-			359,099		1,422,759
Trust Fund Interest	-0-			286,720		252,989
Expenditures:						
Loans/Grants	-0-			14,785,547		15,978,879
BND Admin. Fee	-0-			48,512		130,460
DHS Operating Cost	-0-			226,238		237,154

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

	Continuing Appropriation	
	Revenues	Expenditures
a. For rest of 1997-99 biennium:	-0-	-0-
b. For the 1999-01 biennium:	20,923,523	35,378,001
c. For the 2001-03 biennium:	21,953,452	36,664,197

4. County, City, and School District fiscal effect in dollar amounts:

	1997-1999 Biennium			1999-2001 Biennium			2001-2003 Biennium		
	Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
Revenues		-0-			20,317,704			20,317,704	
Expenditures		-0-			20,277,704			20,277,704	

If additional space is needed, attach a supplemental sheet.

Signed Brenda M. Weisz

Typed Name Brenda M. Weisz

Department Human Services

Phone No. 328-2397

Date Prepared: January 19, 1999

Date: 2/11/99
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2168

Senate APPROPRIATIONS Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number 98212.0101

Action Taken Do PASS

Motion Made By Sen. St. Aubyn Seconded By Sen. Solberg

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman					
Senator Naaden, Vice Chairman					
Senator Solberg					
Senator Lindaas					
Senator Tallackson					
Senator Tomac					
Senator Robinson					
Senator Krauter					
Senator St. Aubyn					
Senator Grindberg					
Senator Holmberg					
Senator Kringstad					
Senator Bowman					
Senator Andrist					

Total (Yes) Unanimous No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Date: 2/11/99
Roll Call Vote #:

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2168

Senate APPROPRIATIONS Committee

☐ Subcommittee on

or

☐ Conference Committee

Legislative Council Amendment Number 98212.0101

Action Taken Do Pass As Amended

Motion Made By Sen. St. Aubyn Seconded By Sen. Solberg

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Sen. St. Aubyn

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2168: Appropriations Committee (Sen. Nething, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2168 was placed on the Sixth order on the calendar.

Page 1, line 8, after the second semicolon insert "to provide an appropriation;"

Page 4, line 3, remove "to the department for remittance"

Page 4, line 7, remove the first "all" with "for"

Page 4, line 16, replace "There is hereby appropriated to the" with "The" and replace "as a standing" with "subject to legislative appropriation, may make"

Page 4, line 17, remove "and continuing appropriation for the purpose of making"

Page 4, line 18, replace the first comma with "for"

Page 4, line 22, after "From" insert "the" and replace "funds" with "fund"

Page 4, line 24, replace "for each calendar quarter in" with "multiplied times the pool amount determined under subsection 2"

Page 4, line 25, remove "each fiscal period"

Page 6, line 17, replace "appropriated" with "available" and after "department" insert ", subject to legislative appropriation,"

Page 9, after line 19, insert the following:

"**SECTION 4. APPROPRIATION - GOVERNMENT NURSING FACILITY FUNDING POOL.** There is hereby appropriated a total of $20,543,942, of which $6,058,739 is from the general fund, to the department of human services for the purpose of making the payments pursuant to section 2 of this Act. In the event that additional amounts in excess of $20,543,942 become available during the biennium based on the calculation in section 2 of this Act, the department of human services may increase the amount paid which funds are hereby appropriated, subject to emergency commission and budget section approval, and providing that any additional "state percentage" required be made available from a loan from the Bank of North Dakota which funds are hereby appropriated.

SECTION 5. APPROPRIATION - HEALTH CARE TRUST FUND. There is hereby appropriated a total of $14,785,540 from special funds derived from amounts available in the North Dakota health care trust fund to the department of human services for the purpose of the implementation of this Act for the biennium beginning July 1, 1999, and ending June 30, 2001."

Renumber accordingly

1999 HOUSE APPROPRIATIONS

SB 2168

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2168

House Appropriations Committee
Human Resources Division

❑ Conference Committee

Hearing Date March 11, 1999

Tape Number	Side A	Side B	Meter #
1		x	31.8-end
2	x		0-46.6
Committee Clerk Signature	Paulette Gussiaas		

Minutes:
A Bill for an Act to create and enact a new chapter to title 6, a new section to chapter 50-24.4, and a new chapter to title 50 of the North Dakota Century Code, relating to a funding pool to establish the North Dakota health care trust fund to make grants and loans to support development of adult residential care facilities, assisted living facilities, and other alternatives to nursing facility care; to repeal chapter 50-21 of the North Dakota Century Code, relating to the administration of a revolving fund for nursing homes and homes for aged; to provide continuing appropriations to make funding pool payments and disbursements for the North Dakota health care trust fund; to declare a retroactive application; to provide an appropriation; and declare an emergency.

Tape 1, B, 31.7 Chairman Svedjan opened committee hearing on SB 2168. All member are present.

31.8 Sheldon Wolf (Assistant Director of the Medical Services for the Department of Human Services) presented the bill to the committee members. See attached testimony.

Tape 2, A, 3.1 Rep. Bernstein the over payment to Mcville and Dunseith, what will happen if they don't get the money back to you. Mr. Wolf its in the Law that they have to give it back.

8.4 Shelly Peterson (President of the ND Long Term Care Ass.) testified in support of SB 2168. See attached testimony.

27.1 Dave Zentner stated that classification was a big interest in the nursing homes.

29.6 Brian McDerrmott-Tim Hager-Allen Metzger (Presidents of LTC Facilities) testified in support of SB 2168. The 3 facilities are combining and they presented their proposal. See attached proposal.

31.1 Tim Hager told about the combining of the facilities.

40.0 Sister Geraldine Steinbach talk about how the combining would be good in their region.

46.0 Chairman Svedjan closed committee hearing on SB 2168.

General Discussion

- ❑ Committee on Committees
- ❑ Rules Committee
- ❑ Confirmation Hearings
- ❑ Delayed Bills Committee
- ❑ House Appropriations
- ❑ Senate Appropriations
- ❑ Other

Date March 26, 1999			
Tape Number	Side A	B Side	Meter #
2	x		24.8-44.4
Committee Clerk Signature			

Minutes:

A Bill for an Act to create and enact a new chapter to title 6, a new section to chapter 50-24.4, and a new chapter to title 50 of the North Dakota Century Code, relating to a funding pool to establish the North Dakota health care trust fund to make grants and loans to support development of adult residential care facilities, assisted living facilities, and other alternatives to nursing facility care; to repeal chapter 50-21 of the North Dakota Century Code, relating to the administration of a revolving fund for nursing homes and homes for aged; to provide continuing appropriations to make funding pool payments and disbursements from the North Dakota health care trust fund; to declare a retroactive application; to provide an appropriation; and to declare an emergency.

Tape 2, A, 24.8 Chairman Svedjan opened committee work on SB 2168. All members were present.

25.8 Mr. Wolf explain some information that the committee requested. The original trust fund estimate was 14,218,000.

34.8 Chairman Svedjan asked if a facility could qualify for both grant and loan. Mr. Zentner states that you could. Carrington for instance, could get a loan for the conversion and the grant to cover the starting costs.

43.0 Chairman Svedjan closed committee work on SB 2168.

General Discussion

- ❑ Committee on Committees
- ❑ Rules Committee
- ❑ Confirmation Hearings
- ❑ Delayed Bills Committee
- ❑ House Appropriations
- ❑ Senate Appropriations
- ❑ Other

Date March 29, 1999			
Tape Number	Side A	B Side	Meter #
1		x	24.7-end
2	x		0-14.9
Committee Clerk Signature			

Minutes:

A Bill for an Act to create and enact a new chapter to title 6, a new section to chapter 50-24.4, and a new chapter to title 50 of the North Dakota Century Code, relating to a funding pool to establish the North Dakota health care trust fund to make grants and loans to support development of adult residential care facilities, assisted living facilities, and other alternatives to nursing facility care; to repeal chapter 50-21 of the North Dakota Century Code, relating to the administration of a revolving fund for nursing homes and homes for aged; to provide continuing appropriations to make funding pool payments and disbursements from the North Dakota health care trust fund; to declare a retroactive application; to provide an appropriation; and to declare an emergency.

Tape 1, B, 24.7 Chairman Svedjan opened committee work on SB 2168. All members present.

24.9 Chairman Svedjan had Mr. Wolf explain the fiscal note.

41.7 Rep. Delzer asked what will happen in the conversion of Basic Care, will it all be general. Mr. Zentner states that it is already general, we will go to the waiver to get some federal funding.

48.7 Rep. Delzer requested some amendments.

Tape 2, A 14.9 Chairman Svedjan closed committee work on SB 2168.

General Discussion

- ❑ Committee on Committees
- ❑ Rules Committee
- ❑ Confirmation Hearings
- ❑ Delayed Bills Committee
- ❑ House Appropriations
- ❑ Senate Appropriations
- ❑ Other

Date March 31, 1999			
Tape Number	Side A	B Side	Meter #
2		x	31.0-end
3	x		0-1.9
Committee Clerk Signature			

Minutes:

A Bill for an Act to create and enact a new chapter to title 6, a new section to chapter 50-24.4, and a new chapter to title 50 of the North Dakota Century Code, relating to a funding pool to establish the North Dakota health care trust fund to make grants and loans to support development of adult residential care facilities, assisted living facilities, and other alternatives to nursing facility care; to repeal chapter 50-21 of the North Dakota Century Code, relating to the administration of a revolving fund for nursing homes and homes for aged; to provide continuing appropriations to make funding pool payments and disbursements from the North Dakota health care trust fund; to declare a retroactive application; to provide an appropriation; and to declare an emergency.

Tape 2, A, 31.0 Chairman Svedjan opened committee work on SB 2168. All members present.

32. Jim Smith went through and explained the amendments for the bill.

48.1 Rep Kerzman moved amendments 2nd by Rep. Hoffner. The voice vote fails.

60.7 Rep. Timm moved the amendment 98212.0201, 2nd by Rep. Delzer. The vote was 6 yes, 0 no and 0 absent.

Tape 3, A, 0.3 Rep. Delzer moves a do pass on SB 2168, 2nd by Rep. Bernstein. The vote was 6 yes, 0 no, 0 absent.

General Discussion

- ❑ Committee on Committees
- ❑ Rules Committee
- ❑ Confirmation Hearings
- ❑ Delayed Bills Committee
- ☑ House Appropriations
- ❑ Senate Appropriations
- ❑ Other

Date April 2, 1999			
Tape Number	Side A	B Side	Meter #
1	x		0-11.3
Committee Clerk Signature	Roxanne Horne		

Minutes:

Chairman Dalrymple opened the discussion on Senate Bill 2168.

1A: Rep. Timm presented amendment 98212.0202 to the committee. Brief explanation of amendment. **Rep. Timm** moved the amendment. **Rep. Svedjan** 2nd the motion.

1A: 4.0 Rep. Svedjan commented the program is unusual and allows for comparing what Medicare pays for Nursing Home residents who are eligible for Medicare payments to what Medicaid pays for residents in Nursing Homes. Further commented on an analysis done to come up with a sum of money to match federal dollars. It is being done in other states and has shown benefits. Once the money is received at the state level it is used for loans and grant purposes to help Nursing Homes convert from skilled beds to basic care beds or transitional beds.

1A: 6.2 Rep. Dalrymple asked if the savings of $4.2 million will show up in Senate Bill 2012 and go to the general fund. Rep. Svedjan replied yes.

1A: 6.7 Rep. Delzer commented this isn't solid money and hasn't been approved by the Federal Government yet. Commented on contingency regarding budget status.

1A: 8.1 Rep. Byerly asked if this could turn into a situation where the Federal Government would come back for the money. It could jump back and bite us. Rep. Delzer replied they have been doing this in other states for a few years. Seems to be absolutely no problems. This is just a two year deal. There is a sunset clause on the bill.

1A: 9.9 On a Voice Vote the motion carried to adopt the amendment 98212.0202. **Rep. Timm** moved for a DO PASS AS AMENDED. **Rep. Svedjan** 2nd the motion. On a Roll Call Vote the motion carried.
20 voting YES
Carrier: Rep. Timm

Date: 3-3-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2168

House APPROPRIATIONS Committee

[X] Subcommittee on HUMAN SERVICES
or
[ ] Conference Committee

Legislative Council Amendment Number 98212.0201

Action Taken pass

Motion Made By Timm Seconded By Delzer

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KEN SVEDJAN	✓				
VICE CHAIRMAN LEROY BERNSTEIN	✓				
REP. JEFF DELZER	✓				
REP. SERENUS HOFFNER	✓				
REP. JAMES KERZMAN	✓				
REP. MIKE TIMM	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Date: 3-3-99
Roll Call Vote #: 2

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2168

House APPROPRIATIONS Committee

[X] Subcommittee on HUMAN SERVICES
or
[ ] Conference Committee

Legislative Council Amendment Number

Action Taken Do pass

Motion Made By Delzer Seconded By Bernstein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN KEN SVEDJAN	✓				
VICE CHAIRMAN LEROY BERNSTEIN	✓				
REP. JEFF DELZER	✓				
REP. SERENUS HOFFNER	✓				
REP. JAMES KERZMAN	✓				
REP. MIKE TIMM	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Rep Timm

If the vote is on an amendment, briefly indicate intent:

Date: 4-2-99
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2168

House Appropriations Committee

☐ Subcommittee on _____
or
☐ Conference Committee

Legislative Council Amendment Number .0202

Action Taken DP as amended

Motion Made By Timm Seconded By Svedjan

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	✓		Nichols	✓	
Vice-Chairman Byerly	✓		Poolman	✓	
Aarsvold	✓		Svedjan	✓	
Bernstein	✓		Timm	✓	
Boehm	✓		Tollefson	✓	
Carlson	✓		Wentz	✓	
Carlisle	✓				
Delzer	✓				
Gulleson	✓				
Hoffner	✓				
Huether	✓				
Kerzman	✓				
Lloyd	✓				
Monson	✓				

Total (Yes) 20 No 0

Absent 0

Floor Assignment REP. TIMM

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2168, as engrossed: Appropriations Committee (Rep. Dalrymple, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2168 was placed on the Sixth order on the calendar.

Page 1, line 4, replace "adult residential" with "basic"

Page 1, line 8, after the third semicolon insert "to provide an expiration date;"

Page 1, line 16, replace "adult residential" with "basic"

Page 5, remove lines 1 through 21

Page 5, line 22, replace "2" with "1"

Page 5, replace lines 24 through 26 with:

"2. "Assisted living facility" has the meaning provided in section 50-24.5-01, but if the term is not defined in that section, the term means a facility that:

a. Makes response staff available at all times;

b. Provides housing and:

(1) Congregate meals;

(2) Kitchen facilities in each resident's living quarters; or

(3) Any combination of congregate meals and kitchen facilities in each resident's living quarters sufficient to assure each resident adequate access to meals;

c. Assures provision of:

(1) Personal care, therapeutic care, and social and recreational programming;

(2) Supervision, safety, and security;

(3) Medication services; and

(4) Transportation services;

d. Fosters dignity, respect, and independence by allowing, to the maximum extent feasible, each resident to determine the resident's service providers, routines of care provision, and service delivery; and

e. Services five or more adult residents, unrelated to the proprietor, on a specified premises not licensed under chapter 23-20 or 25-16, which meets the requirements of the national fire protection association 101 Life Safety Code, as applicable.

3. "Basic care facility" has the meaning provided in section 23-09.3-01."

Page 5, line 29, replace "adult residential" with "basic"

Page 6, line 1, replace "an adult residential" with "a basic"

Page 7, line 10, replace "an adult residential" with "a basic"

Page 7, line 13, replace "an adult residential" with "a basic"

Page 7, line 15, replace "adult" with "basic"

Page 7, line 16, remove "residential"

Page 7, line 21, after the period insert "The department's share of the total cost of any conversion is limited to one million dollars or eighty percent of the project cost, whichever is less."

Page 7, line 26, replace "an adult" with "a basic"

Page 7, line 27, remove "residential"

Page 8, line 1, replace "Adult residential" with "Basic"

Page 8, line 13, replace "an adult residential" with "a basic"

Page 8, line 16, replace "an adult residential" with "a basic"

Page 9, line 11, replace "an adult residential" with "a basic"

Page 9, line 23, replace "$20,543,942" with "$12,409,448" and replace "$6,058,739" with "$3,618,391"

Page 9, line 25, after "Act" insert "and including $226,238 for department administrative costs for the biennium beginning July 1, 1999, and ending June 30, 2001" and replace "$20,543,942" with "$12,409,448"

Page 10, line 2, replace "$14,785,540" with "$8,715,279, including an estimated $190,460 of fund interest earnings"

Page 10, line 4, after the period insert "Of the first $8,524,820 deposited in the health care trust fund, $4,262,410 must be allocated by the department of human services for loans and grants pursuant to section 3 of this Act and $4,262,410 must be available for funding the service payments to the elderly and disabled program to be appropriated in Senate Bill No. 2012. If additional amounts in excess of $8,715,279 become available during the biennium based on the calculation of section 2 of this Act, the department of human services may increase the amount paid and the funds are hereby appropriated, subject to emergency commission and budget section approval."

Page 10, line 9, after the period insert "The continuation of these positions, if required, must be requested of the fifty-seventh legislative assembly."

Page 10, after line 12, insert:

"**SECTION 9. EXPIRATION DATE.** This Act is effective through June 30, 2001, and after that date is ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 325 - DEPARTMENT OF HUMAN SERVICES

HOUSE - This amendment changes Section 3 to reflect changes to Senate Bill No. 2036, amends Section 4 to reflect a revised total of $12,409,448, of which $3,618,391 is from the general fund, related to the government nursing facility funding pool in Section 2, amends Section 5 to reflect total trust fund deposits of $8,524,820, of which $4,262,410 will be appropriated in Senate Bill No. 2012 for the SPED program and $4,262,410 for the trust fund loans and grants with an additional $190,460 of trust fund earnings for loans and grants, limits Department of Human Services share of a project to $1 million or 80 percent of project costs, whichever is less, and provides an expiration date.

1999 SENATE APPROPRIATIONS

SB 2168

CONFERENCE COMMITTEE

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2168C

Senate Appropriations Committee

☑ Conference Committee

Hearing Date April 9, 1999

Tape Number	Side A	Side B	Meter #
1	X		Tape didn't record
Committee Clerk Signature	Kathy C. Kottenbrock		

Minutes:

SENATOR ST. AUBYN: Opened the hearing on SB2168.

REPRESENTATIVE DELZER: Explained the House amendments and referred to SB2036 which ties in with this bill.

SENATOR ST. AUBYN: Where is SB2036 at?

JIM SMITH: Legislative Council. The Governor has signed the bill and it will go into affect 2001.

SENATOR ST. AUBYN: This bill has adjusted for re-basing and incorporating SB2036.

REPRESENTATIVE DELZER: That's correct and appropriated half to the SPED program.

SENATOR ST. AUBYN: What was Long Term Care's reaction.

REPRESENTATIVE DELZER: Talked to Shelly and it seemed ok with her.

SENATOR ST. AUBYN: Earlier, that's what I thought but, yesterday, she said they would want all of the money. We worry this program is not going to be around 5-7 years down the road.

REPRESENTATIVE DELZER: The position I believe we're in is a fair tradeoff. Maybe in two years we don't take any of this money for SPED.

REPRESENTATIVE TIMM: Carrington and New Rockford seemed to be the only facilities that are going to do this. They wanted a $1M a piece. That's why we made it a two year deal.

REPRESENTATIVE DELZER: The money is not solid, that is why they have an Emergency Clause on the bill.

SENATOR ST. AUBYN: Our concern is with the dollars and SPED.

REPRESENTATIVE DELZER: This is like a savings account for us. The line item is part of the bottom line when it comes in. This would give us $4M dollar to work with.

JIM SMITH: The money is recognized but, if it is short, the General fund will kick in the $4M.

REPRESENTATIVE KERZMAN: When we were working on SB2168 SPED was coming up short.

SENATOR ST. AUBYN: Those were the figures the department gave us.

SENATOR ST. AUBYN: SB2036 has a delayed implementation.

JIM SMITH: The House put on expiration date on the bill.

SENATOR ST. AUBYN: We will stand in recess until the call of the Chair.

1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2168 Appropriations

Senate ~~Government and Veterans Affairs Committee~~ Appropriations

☑ Conference Committee

Hearing Date 4/12/99

Tape Number	Side A	Side B	Meter #
1	X		0-401

Committee Clerk Signature Minutes transcribed by other clerks. Kathy S. Litzenbrock

Minutes: Senator St. Aubyn reopened the hearing on SB 2168. We are still waiting for Senator Bowman, but in the interest of time I think we'll at least discuss the hand outs of some proposed amendments. The amendments basically replace the specific time period of July 1 with a 12 month period determined by the department and removing June 30th of the next year on line 16 page 3. Jim, you want to explain this a little bit? What the affect of this is, or do you feel comfortable with it? Jim, Mr. Chairman what this would do in the definition section of page 3 of the engrossed bill, the current reference is fiscal period which would be July 1 to June 30th of each year. What this would do with the defined fiscal period would be a 12 month period determined by the department. That fiscal period reference is used in determining the payment that would go out and the calculation of total facility days and that kind of thing. Mr. Chairman, as I understand it that would give the department some more flexibility in implementing the bill. SENATOR ST. AUBYN, Sheldon is there any further explanation. Sheldon, Mr. Chairman,

members of the committee, when we first originally did this bill we set it up for the June 30 fiscal year. That was the time frame that copies were submitted by the facilities. When Barb started going through, we think it will be easier to do on a calendar year rate time frame rather than a June 30 time frame because that's what our rate is effective for from one one through twelve thirty-one. If we use the 6/30 fiscal period which is in the bill right now what you are looking at there is two different time frames for the nursing homes and everything like that. Calculations get a lot harder to make. Plus we put it in there without any time frame at all to allow a little flexibility in there in case that time frame doesn't work with the federal government or anything like that that we can change it to what would do it. SENATOR ST. AUBYN, what is the net effect that you anticipate by having this amendment? Will we be able to generate more dollars or will it be about the same, less? Sheldon, Mr. Chairman, the way we are looking at it now is what we want to do is we want to use the 98 rate and calculate by June of this year and pay it out in July. Yes we could potentially increase the amount of dollars generated through this here because we won't have rebates for an additional six months. Technically we could do that, that's if the federal government buys off on the time frames that we put in our state plan amendment. So the answer to your question, I really don't know until the state plan is approved. What we are trying to do is do it based on cost from 1/01/98 to 12/31/98 calculate the pool by June 30th of this year and pay it off in July. So in essence what we would have is actually two years without rebates included for the payments. SENATOR ST. AUBYN, Any other questions? I don't know if Senator Bowman's going to make it here so, SENATOR KRAUTER, Mr. Chairman, I'll make sure that Representative Belcher and Representative Timm hear this real loud. I'll make a motion that the Senate recede, excuse me the Senate accede from the House

amendments and further amend with these amendments. SENATOR ST. AUBYN, accede to the house amendments and further amend. Do we have a second? Representative Timm seconded. Discussion. SENATOR ST. AUBYN, hearing none the clerk will take the tally. SENATOR ST. AUBYN, aye, SENATOR BOWMAN, absent, SENATOR KRAUTER, aye, REPRESENTATIVE DELZER, aye, REPRESENTATIVE TIMM, aye, REPRESENTATIVE KERZMAN, aye. SENATOR ST. AUBYN, the motion passed. How long will it take to get the amendments and all of that Jim? Mr. Chairman, it should be early this afternoon. SENATOR ST. AUBYN, so once we get the amendments we'll get the report forwarded for everyone's signature and we don't need anything right now. Any other discussion, if not, the conference committee is closed.

Prepared by the North Dakota
Department of Human Services
April 8, 1999

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2168
FIRST ENGROSSMENT WITH HOUSE AMENDMENTS - 98212.0300

Page 3, line 15, replace "the period beginning July first of each year and ending" with "a twelve-month period determined by the department"

Page 3, line 16, remove "June thirtieth of the next year"

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

(Bill Number) SB 2168 (, as (re)engrossed):

Your Conference Committee

Attendance	SENATORS	Vote
P	St. Aubyn	
P	Bowman	
P	Krauter	

Attendance	REPRESENTATIVES	Vote
P	Delzer	
P	Timm	
P	Kerzman	

☐ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) 723/724 725/726 8724/8726 8723/8725 the (Senate/House) amendments on (SJ/HJ) page(s) _____ - _____

☐ and place _____ 727 on the Seventh order.

☐ , adopt (further) amendments as follows, and place _____ on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged and a new committee be appointed. 690/515

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: 4,9,99

CARRIER: _____

LC NO. _____ . _____ of amendment

LC NO. _____ . _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE) - 420

07398

(Bill Number) SB 2168 (, as (re)engrossed):

Your Conference Committee

Attendance	SENATORS	Vote
P	J. Aubyn	Y
A	Bowman	A
P	Krauter	Y

Attendance	REPRESENTATIVES	Vote
P	Delzer	Y
P	Timm	Y
P	Kerzman	Y

☐ recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) 1101 - 1102

723/726 725/726 8724/8726 8723/8725

☐ and place _____ on the Seventh order.

727

☐ , adopt (further) amendments as follows, and place _____ on the Seventh order:

☐ having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

690/515

((Re)Engrossed) _____ was placed on the Seventh order of business on the calendar.

DATE: 4/12/99

CARRIER: _____

LC NO. 98212 . 0203 of amendment

LC NO. _____ . _____ of engrossment

Emergency clause added or deleted _____

Statement of purpose of amendment _____

(1) LC (2) LC (3) DESK (4) COMM.

REPORT OF CONFERENCE COMMITTEE

SB 2168, as engrossed: Your conference committee (Sens. St. Aubyn, Bowman, Krauter and Reps. Delzer, Timm, Kerzman) recommends that the **SENATE ACCEDE** to the House amendments on SJ pages 1101-1102, adopt further amendments as follows, and place SB 2168 on the Seventh order:

That the Senate accede to the House amendments as printed on pages 1101 and 1102 of the Senate Journal and pages 1150 and 1151 of the House Journal and that Engrossed Senate Bill No. 2168 be further amended as follows:

Page 3, line 15, replace "the period beginning July first of each year and ending" with "a twelve-month period determined by the department"

Page 3, line 16, remove "June thirtieth of the next year"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

DEPARTMENT 325 - DEPARTMENT OF HUMAN SERVICES

CONFERENCE COMMITTEE - The Senate accedes to the House amendment which changes Section 3 to reflect changes to Senate Bill No. 2036, amends Section 4 to reflect a revised total of $12,409,448, of which $3,618,391 is from the general fund, related to the government nursing facility funding pool in Section 2, amends Section 5 to reflect total trust fund deposits of $8,524,820, of which $4,262,410 will be appropriated in Senate Bill No. 2012 for the SPED program and $4,262,410 for the trust fund loans and grants with an additional $190,460 of trust fund earnings for loans and grants, limits Department of Human Services share of a project to $1 million or 80 percent of project costs, whichever is less, and provides an expiration date.

In addition, the Conference Committee adds language to change the "fiscal period" definition from a July 1 to June 30 reference to a 12-month period as determined by the Department of Human Services.

Engrossed SB 2168 was placed on the Seventh order of business on the calendar.

1999 TESTIMONY

SB 2168

Testimony on SB 2168
Senate Appropriations Committee
January 28, 1999

Chairman Nething and members of the Senate Appropriations Committee, thank you for the opportunity to testify on SB 2168. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. I am here today to testify on behalf of the Association.

I am here today to ask for your support of SB 2168. Eight months ago I became aware of "Intergovernmental Transfer" revenue from my colleague in Nebraska. Upon further investigation I found other states using this revenue source for long term care and felt North Dakota could benefit. The North Dakota Long Term Care Association immediately began urging the Department of Human Services and Governor Schafer to apply for "Intergovernmental Transfer dollars," and I'm pleased we are before you today to urge your support of this valuable funding resource.

I want to stress four main points:

1. This is <u>not</u> a loop hole, something we are going to sneak by the federal government. This is a legitimate funding resources meant to benefit long term care in the states. Congress reviewed this provision in the law this past year and chose not to change it. In speaking with the states who utilize this funding mechanism, they believe it is here to stay and have little anxiety that Congress will repeal it.

2. Some states have been utilizing this funding mechanism since the early 1990's – Let me share with you the experience of four states:

   Nebraska Experience:

   In 1998 the State of Nebraska received approval and funding from the federal government for their intergovernmental transfer program. Nebraska anticipates receiving over 50 million dollars annually. Nebraska is using the intergovernmental transfer money for three purposes:

   a. Conversion of nursing home beds to assisted living beds
   b. The state share of the Children's Health Insurance Program and
   c. The Excellence in Health Care Grant Program.

   Pennsylvania Experience:

   Pennsylvania has received intergovernmental transfer funding since 1992. The amount of money received in 1998 was $823,907,000, the largest annual receipt to date for Pennsylvania. The majority of money received is to fund nursing facility expenditures. (See report from County Commissioners Association of Pennsylvania)

Michigan Experience:

Michigan has received intergovernmental transfer funds since 1993. In 1998 Michigan received 317 million from this funding source. The money is used for Medicaid expenditures.

Minnesota Experience:

Minnesota has received intergovernmental transfer funds since 1992. Minnesota utilizes the funds for Medicaid expenditures.

I want to expand upon the Pennsylvania experience. Attached you will find a report from the County Commissioners Association of Pennsylvania. As you will see from the report the vast majority of the money is used to fund long term care, over 537 million in 1998. Please note the "negotiated agreement" between the state and county nursing facilities. Each hold an important role in this process, both entities are necessary to effectuate intergovernmental funds. To put it into perspective the legislature approves the process, the Department of Human Services submits a State Plan Amendment for Federal Government Approval and our two county facilities, located in Dunseith and McVille must agree to participate in this process. If one party doesn't participate, state or county facility, the process will not work and funding will never come into the state.

This necessitates a partnership, working together to forge a win-win for all parties. Dunseith and McVille are rural nursing facilities working hard to succeed and wish to work in partnership with the legislature on this endeavor.

3. Nursing facilities are moving toward downsizing and development of alternatives and are excited about the opportunity this funding could have in their communities. Data suggests that there is an oversupply of nursing facility beds in North Dakota, and a corresponding lack of alternative living arrangements for the elderly and persons with disabilities, especially in rural North Dakota. Occupancy in rural nursing facilities is dropping and we are having difficulty recruiting direct care staff. This is due to:

   a. Young adults moving out of rural North Dakota
   b. Older persons moving to larger cities to be near children and medical facilities, and
   c. Assisted living development in our larger cities.

   If long term care services are not maintained, at some level in smaller communities, older and disabled individuals may be forced to go to our mid-sized and larger cities for long term care services. If the nursing facility can diversify into alternatives, continue to serve those most critically in need of long term care, with fewer beds; this will allow many communities to maintain their older population and thrive in the future.

We are ready to move this direction, with many nursing facilities evaluating community needs and developing plans for the future. This funding will move us more quickly into alternatives and help us to better serve our aging population.

4. Shortfall in nursing facilities and basic care funding.

   As you heard when we testified before you on SB 2012, nursing facilities are struggling with limits based upon cost report year 1992. If you support our position on this issue but find it impossible to locate necessary general funds, SB 2168 is an allowable source for this need. We have prepared an amendment should you wish to consider SB 2168 for the basic care and nursing facility shortfall.

In summary, thank you for your consideration of SB 2168. This legislation, I believe will dramatically change our long term care system in North Dakota. It will allow us to transition into a less institutional model of care and allow rural communities to better serve their aging population. Also most importantly, it provides you an option for adequately funding nursing facilities and basic care for the residents that are in need of quality 24 hour care today. I would be happy to answer any question you might have.

Shelly Peterson, President
North Dakota Long Term Care Association
120 West Thayer Avenue
Bismarck, ND 58501
(701) 222-0660

COUNTY COMMISSIONERS ASSOCIATION OF PENNSYLVANIA

17 N. FRONT ST. · HARRISBURG, PA 17101-1624 · 717-232-7554 · 717-232-2162 FAX · www.pacounties.org

TO: Members, DPW Medical Assistance Advisory Committee Long Term Care Subcommittee

FROM: Mike Wilt, County Commissioners Association of Pennsylvania

RE: Intergovernmental Transfer Agreement Highlights

DATE: December 16, 1998

The 1998-99 Intergovernmental Transfer (IGT) occurred on October 27, 1998 between the Commonwealth of Pennsylvania and the 20 participating counties. These are the same 20 counties that have participated in the IGT since its inception. The amount of the transfer for this year was $823,907,000, making it the largest to date. Some highlights of this year's agreement are as follows:

- By far the largest amount of money - over $537 million - is being used to balance the line item for Long Term Care in the Department of Public Welfare budget.
- Extension by two additional years of relief from county facilities of the county share requirement through June 30, 2003. This helps to maintain county nursing facilities on an even playing field with other nursing facilities that are not required to pay a percentage of the nonfederal costs. This is approximately $50 million.
- A four year extension of the county transition rate through June 30, 2003. Currently there are 13 county homes receiving this rate. The cost of this transition rate provision is estimated at almost $23 million.
- Continuation of the Supplemental Security Income (SSI) increase for persons living in personal care and domiciliary care facilities. This $6.00 per day enhanced funding amounts to approximately $27 million annually.
- Funding of the Pennsylvania Department of Aging waiver. The IGT now provides for all of the funding for the waiver, which is now expanded statewide, estimated to cost approximately $37 million.
- Expansion of the County Commissioners Association of Pennsylvania (CCAP) alternative care project which involves the designing of different uses for portions of county nursing facilities - this ongoing project has $6.5 million reserved from this current IGT.
- Technical assistance grants to CCAP for continuation of the managed care implementation; restraint reduction initiative; behavior management training for county nursing facility staff; and a new grant to help counties prepare for implementation of the Multi-Year Plan for persons with MR support. These four grants total $1.8 million.

- Funds from the IGT are being used - $17 million - to make up for a funding shortfall in this year's Behavioral Health Services Initiative within the DPW budget.
- Additional funds have been reserved - $2.5 million - for the COMCARE program - county managed care reinsurance.
- Provision for funding for a variety of other programs sought by DPW including the Long Term Care Demonstration Project (OnLoc); attendant care services; home modification program; and home and community based waiver gaps. These four programs will cost approximately $30 million.
- Funding for payments to nursing facilities for settlement of the Qualified Medicare Beneficiary (QMB) litigation. This is a one time payment by DPW to nursing facilities for the costs associated with coinsurance for Medicaid eligible residents.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2168

1. Page 1, line 5, after "care" insert "and to support existing nursing facilities and basic care facilities."

2. Page 1, line 17, after "facilities" insert "and to support existing nursing facilities and basic care facilities."

3. Page 4, line 17, replace "describe in subsection 3" with "under this chapter"

4. Page 6, line 30, after "fund" insert "and shall be used to support existing nursing home facilities and basic care facilities."

5. Page 8, line 20, insert the following section

Nursing facility and Basic Care facility support fund

1. There is hereby created a nursing facility and basic care facility support fund. The fund shall include revenue transferred from the North Dakota health care trust fund.

2. The department shall administer the distribution of funds in the nursing facility and basic care facility support fund. The nursing facility and basic care facility support fund may be used:

   a. to established a new base period for nursing facility rate limits pursuant to Section 50-24.2-10, for operating costs categories, pursuant to the June 1999 operating costs report.

   b. to fund the 3% operating margin and property costs for basic care facilities;

   c. after June 30, 1999, to establish a composite index or indices based upon the average of the increase in the Data Resources, Incorporated, nursing home input price index and the increase in the consumer price index for all urban wage earners and clerical workers to be applied to specific operating cost categories or combination of operating cost categories, as required under chapter 50-24.4-10.

TESTIMONY BEFORE THE SENATE APPROPRIATIONS COMMITTEE
REGARDING SENATE BILL 2168
JANUARY 28, 1999

Chairman Nething, members of the committee, I am Sheldon Wolf, Assistant Director of Medical Services for the Department of Human Services. I appear before you today to provide you with information and support the Intergovernmental Transfer Program created by Senate Bill 2168.

This program is patterned after the Intergovernmental Transfer program that was initiated by the State of Nebraska and has received Health Care Financing and Administration approval in that State. Attachment A is the testimony of Mr. Dick Brummel, Associate Regional Administrator for Medicaid and State Operations in the Kansas City regional office of the Healthcare Financing Administration to the Nebraska Committee on Health and Human Services on January 29, 1998 regarding LB1070. The testimony regards the appropriateness of using an Intergovernmental Transfer and the use of the funds generated by the Transfer. Mr. Brummel indicates on page 106 that "Congress made it very clear that this particular funding mechanism is appropriate." I encourage you to read the entire document, it provides useful information regarding the Federal position on the Intergovernmental Transfer.

The Intergovernmental Transfer Program is being used by Nebraska to create additional funding for other alternative projects. We estimate this program will generate almost $15 million dollars in North Dakota to be used for grants and loans during the 1999-2001 biennium without utilizing General Fund dollars.

The premise for this program is based first on Federal regulations that allow the Department to pay nursing facilities owned by political subdivisions a different rate than that paid to nursing facilities not owned by political subdivisions and second

that the total amount paid to all nursing facilities in the State may not exceed the amount Medicare would pay. Since the Medicaid rates, in the aggregate, do not exceed the Medicare limit, the difference can be paid to the nursing facilities owned by political subdivisions in North Dakota. We have two such nursing homes, McVille and Dunseith.

Attachment B is a fact sheet and a flow chart explaining the program. Please turn to the flow chart for the next portion of my testimony. In the flow chart, I have identified each box by a letter which I'll explain below. The section number indicated in selected boxes of the flow chart relate to the section number in Senate Bill 2168.

The process starts (Box A) with the determination of the government nursing facility pool. This pool is developed by calculating the difference between a facility's average Medicaid rate and the Medicare Upper Limit times the facility's Medicaid Days. These differences, either positive or negative for the 84 nursing facilities in North Dakota are totaled together to arrive at a statewide government nursing facility pool.

Box B and C explain how the transfer is made. The Department pays (Box B) the amount identified at the government nursing facility pool (Box A) to the two politically-owned-subdivision nursing facilities, Dunseith and McVille (Box C), based on a percentage of inpatient days to total inpatient days for the two facilities for the fiscal period. This payment is made from the Department's Grants appropriation like any other Medicaid payment. Federal financial participation is claimed on the payment at the Federal Medical Assistance Percentage applicable at the time of the payment, approximately 70% Federal and 30% General Funds. The pool payment is estimated at $20.3 million for the 1999-2001 biennium.

Upon receipt of the pool payment the two nursing facilities transfer the balance (Box D), less $10,000, to the State Treasurer's Office through an Intergovernmental

Transfer (Box E).

Upon receipt of the funds, the Treasurer's Office transfers (Box F) to the General Fund ALL GENERAL FUNDS used for match during the initial payment to the two political-owned-subdivision nursing facilities in Box B. The balance, which we estimate will be $7.1 Million dollars each year of the biennium, is then transferred to the ND Health Care Trust Fund (Box G). The $10,000 retained by each of the political subdivisions in Box D is taken out of the funds generated by the process, NOT the general fund dollars.

From the North Dakota Health Care Trust Fund (Box H), the Department will be able to transfer funds to each established sub-fund.

Funds transferred to the Grant fund (Box I) from the ND Health Care Trust Fund will be granted to providers to cover such things as training costs, startup costs and first year losses on new projects.

Box J & K identify the Loan Fund. The funds transferred to this fund will be loaned out to facilities at a reduced rate for conversion projects or new projects in an area that is under served. The loans will be handled through the Bank of North Dakota with interest rates 2% less than the going rate for similar loans at the bank with a maximum interest rate of 7% and a minimum of ½%. The Bank of North Dakota is paid an administrative cost of ½% of the outstanding loan balance. As indicated by Box K and the arrow to Box H, the principal and interest earned on these loans are returned to the ND Health Care Trust Fund to be granted or reloaned through the Intergovernmental Transfer Program process.

To have a loan or grant application approved, the applicant must demonstrate that conversion of a nursing facility or a portion of the facility, to an alternative such as adult residential care facility, assisted living facility, or other alternative may offer

efficient and economical care to individuals requiring long term care services or are unlikely to be available in the area for individuals eligible for services under the Medicaid Program. For other types of entities to be eligible, they must demonstrate that the long term care continuum of need they are filling is in an under served area as determined by the Department.

The Department will adopt the rules establishing the application process, the criteria to determine eligible entities to receive funding, including minimum occupancy rates, allowable costs, and refund methods, the criteria for rates and amounts of funding and other procedures necessary to properly administer the program.

To develop this criteria, evaluate proposals, and administer the program, we estimate that it will take two FTE's, one HSPA V and a HSPA IV. The estimated cost of the two positions and the associated operating costs are $226,238, 50% of which is Federal and 50% match will be from the funds generated through the Intergovernmental Transfer Program. These positions are not included in the Department's appropriation bill.

I also want to point out two other sections of this bill. On page 4, lines 16-18 and on page number 6, line 16-18 the bill creates continuing appropriations for the Government nursing facility funding pool and the North Dakota health care trust fund respectively. The Department can operate this program under a continuing appropriation or actual dollar appropriation method, but has included the continuing appropriation because:

1) it allows us the most flexibility,
2) it does not require the Department to request additional spending authority if the amount available in the Pool exceeds estimates,
3) the affect on the General Fund, after the intergovernmental transfer, is zero,
4) and if the actual amount needed for the pool payment is less than the

appropriation amount, does not leave the Department with an appropriation without available General Fund dollars.

After this testimony, you may hear other groups requesting to use these funds for such things as rebasing. The Department opposes this use because, 1) the Health Care Financing Administration may change the regulation allowing the Department to utilize the Intergovernmental Transfer Program, at which time the cost would then revert to general fund expenditures, 2) the difference between the Medicaid payment rate and the Medicare Upper Limit rate may not be sufficient to generate the funds necessary to sustain rebased rates in future years, again resulting in General Fund expenditures required to pay for the rebasing when these funds are no longer available, and 3) it takes away the opportunity for the State to utilize these funds to be proactive in the long term care continuum of care.

By being proactive, we can use the funds to help nursing facilities convert existing beds to less costly and less restrictive settings than a nursing facility. This will allow the Department to access more services for the same or fewer dollars currently being spent on nursing facility services.

Enclosed with your testimony is attachment C, a potential project which could benefit from using funds from the Health Care Trust Fund to move towards alternatives. This is an example of how of the Department anticipates using the funds generated from the Intergovernmental Transfer Program and how three nursing facilities are pro-actively working together to meet the current and future needs of populations in their communities. The three facilities are the Carrington Health Center and Golden Acres Manor, both in Carrington, and the Lutheran Home of the Good Shepherd in New Rockford.

Page 10 of the proposal outlines the plan they have developed. In summary, the plan will de-license all 40 existing beds in the Carrington Health Center and replace

them with a 24 bed "basic care/assisted living/adult residential care model." The Lutheran Home of the Good Shepherd will reduce its bed capacity from 86 beds to 73 and develop a dementia unit to provide services for residents that need that care. Pages 20, 21 and the last page of Attachment C identify the benefits and accomplishments expected by the proposal. In summary, the services that these three facilities will provide, once this plan is in place, will meet the continuum of care needs of the residents in the least restrictive environment, make services accessible, and provide savings to the residents and the State of North Dakota.

Attachment D identifies five proposed amendments to this bill. The first removes the phrase "to the department for remittance" on page no. 7 line 3. These funds can not be transferred to the Department from the two politically owned subdivision nursing facilities as they may be construed as refunds, requiring the funds to be returned to the Federal Government, rather than an Intergovernmental Transfer. The transfer must be from the political-subdivisions directly to the State Treasury.

The second amendment replaces the first "all" on page no. 4 line 7 with "for".

The third and fourth amendments removes "for each calendar quarter in" and replaces "each fiscal period" with "multiplied times the pool amount determined under subsection 2." This change properly explains the calculation of the Federal Financial Assistance match.

The fifth amendment replaces "for" on page no. 6 line 17 with "as a standing and continuing appropriation for the purpose of"

If you have any questions, I would be happy to answer them at this time.

Senator Wesely for having an amendment to include public health in that last category. I think that would be a very good idea. And then I just want to make a personal comment that I have a mother-in-law that who is ninety-one years old and when she was eighty-five, she was in the nursing home because there was no alternative when she was no longer able to take care of herself in her home. A few years ago we put her into...we put her...she moved to a assisted living facility here in Lincoln and is now up and around and we were very discouraged when we went to the nursing home because so many residents never dressed, they stayed in their evening...or bed clothes and my mother-in-law got to be that way pretty...herself. And at eighty-five, you know, it was really looking like she was on her way downhill and when we...when she moved into a nurse...from the nursing home to assisted living facility, she got dressed, she went down for meals, she went out, she joined clubs, she's ninety-one and going strong and I think the investment in assisted living is well worth the dollars, personally.

SENATOR WESELY: Rick, that's helpful. Are there questions of Mr. Nation? Seeing none, thank you. I got to interrupt here and ask Mr. Brummel to come forward. Would you mind? And the reason is, this is the guy that's going to get us the money, so we ought to give him... (laughter) and he needs to leave and we want to thank him and appreciate him and have him come forward. Thank you for your patience, I know you've waited a long time.

DICK BRUMMEL: Sure. Mr. Chairman, committee members, for the record, my name is Dick Brummel, B-r-u-m-m-e-l and I'm the Associate Regional Administrator for Medicaid and State Operations in the Kansas City regional office of the Healthcare Financing Administration. We're the federal agency that has responsibility for the Medicare and Medicaid and child health programs. I appreciate the opportunity today to comment on the Nebraska Health Infrastructure Trust Fund Act. In the twenty years that I've been involved in the Medicaid program, I do not believe I've seen a single piece of legislation that has a greater potential to affect the long-term care landscape in a single state. As we've heard several times today, the American population is steadily aging. This has several inescapable impacts. The most obvious one is that more persons will need the types of

services we associate with being older. There are currently approximately 35 million persons in the U.S. over 65; about 4 million over 85. Demographers tell us that by 2025 or 2030 there will be 61 million persons over age 65 and 6 million over the age of 85. There will be a less dramatic shift in Nebraska, but a shift in that same direction. How can we provide long-term care services for this large a population, to you, to me, to many of us here in the room? Do we simply increase the supply of nursing home beds by the fifty to seventy-four percent that the numbers would tend to indicate? If we do that, where do we find the people to staff those nursing homes? If my memory serves, a group at Creighton, as part of the long-term care study, has already projected some substantial short-falls in the Nebraska labor force for long-term care as soon as 2005. And if somehow we are able to find enough employees to staff these new nursing homes, how do we pay them? Not only will labor shortages tend to push wages up, but the same dramatic, same dynamic which the Social Security program faces, that is larger numbers of beneficiaries and smaller numbers of taxpayers, will make financing long-term care as we know it now, much more difficult. We've heard several times today that Nebraska is in the top handful of states as far as the proportion of its population over 65 that's in nursing homes. One thing that hasn't come up so far is that in terms of the overall health status of those people in Nebraska nursing homes, they tend to be healthier than people in the...in the nation as a whole. Most functional statements of patient...patient status use measures of a patient's need for help with things called activities of daily living. The healthiest of these people need help with none...none or one of these activities of daily living. Eleven percent of the nursing home population in the United States fits into that category. Seventeen percent of the Nebraska nursing home population fits into that category. As a whole, healthier people. About two-thirds higher than the national average. My agency has been working with Jeff Elliott and Bob Sieffert and others at the Department of Health and Human Services for some time on the Medicaid financial aspects of this long-term care strategy. I'm happy to say that we are very close to being able to approve the state's plan for both the reimbursement method that would generate the funds and the pass-through of the money back to the state. In fact, it would not be out of

realm of possibility that we will be able to do that some time next week. Congress made it very clear that this particular funding mechanism is appropriate. It's existed in the Medicaid program for years and years. Some states have used it, others have not. It's one of several mechanisms that states can use to develop their nonfederal share of...the state of Nebraska used to have a levy on each individual county to come up with part of its share, if memory serves, although it's been awhile since that...that happened, but I do remember it, nonetheless.

SENATOR WESELY: You're right by the way. They used to do that.

DICK BRUMMEL: In fact, as far as these intergovernmental transfers are concerned, when the government...when the federal Congress took it's second step to put limitations on the use of provider taxes to fund the disproportionate share program, the process that Bob described earlier, and in 1993 they expressly put language in the Social Security Act, the governing statute for the Medicaid program saying that my agency was to take no steps whatsoever to interfere with the state's abilities to use intergovernmental transfers as a mechanism for the Medicaid program. The only limitation that is placed on those and Jeff explained that well, is that the average, the aggregate payments for nursing home care in the state cannot exceed what it would be if the state were paying the Medicare amount. And that's essentially...that difference is what's being cycled through the...through the system. But Congress has acknowledged that its appropriate. From what I understand, the state of Michigan has a rather large program and most other states use intergovernmental transfers to some extent. And that's the end of my remarks, sir. I'd be willing to answer any questions you might have.

SENATOR WESELY: Mr. Brummel, that was very helpful and we appreciate your patience in joining us. Are there questions for mister...yes, Senator Witek.

SENATOR WITEK: So you're saying that Congress likes this mechanism and does not want to change it? And Congress, I guess you must have spoken to many members of Congress to be able to say Congress.

DICK BRUMMEL: The language in the Budget Reconciliation Act of 1993 says the health department of health and human services shall take no action, limiting the state's ability to use intergovernmental transfers. That is just about an exact quote. Yes, ma'am.

SENATOR WITEK: When I talk to members of Congress, they were not even aware of this mechanism; so, do you think that this is something that most members of Congress are aware of?

DICK BRUMMEL: I...presume that they are as aware of that as they are of any piece of legislation that they pass on. It was part of the language that restricted state's abilities to pay disproportionate share payments. It was a...probably one of the more participative processes that I've seen. I was, in fact, working in our headquarters as the deputy director of the Medicaid program at the time the bill was passed and there was a large amount of state interest, significant numbers of senators and representatives, committee chairs and the like were part of the active drafting of that.

SENATOR WITEK: Why is there then some discussion that we should take advantage of these funds before this loophole, and that's not my word, is closed?

DICK BRUMMEL: I'm not sure why people would discuss it in those terms other than the fact that every time Congress meets, any particular law that its ever passed previously is open to...to amendment or repeal. I think the fact that the Congress decided not to move the Medicaid program to a program based on a per capita grant to the state, it left the Medicaid appropriation open-ended is some indication that it has no intention of constricting the size of the Medicaid program.

SENATOR WITEK: So the...that feeling that this will shut down any time soon, other than in the natural course of Congress, is probably not warranted because we aren't assuming that as soon as Congress recognizes huge amounts of money funneling into...similar to what happened with the other program before it was shut down, that they will shut

it down because of the costs, I mean, this is...this is a significant amount of money for Nebraska and if other states, as you say, are utilizing this, this must nationally be a huge amount of tax dollars.

DICK BRUMMEL: I think...you're correct. It does have that potential; I have no reason to think that Congress is looking at closing that particular avenue. The difference between this and the use of provider taxes was that there was nothing in the statute that prohibited, or even addressed the use of provider taxes until the 1991 and 1993 legislation. But now in the 1993 legislation, there is a specific acknowledgement that this particular funding mechanism exists and that they don't want the executive branch to do anything to...to control it or restrict it.

SENATOR WITEK: Are other states using it for these purposes, assisted living or are they setting up funds; are they running it through their legislatures; how are they using this money?

DICK BRUMMEL: I can't speak to the movement of the funds; of the states that I'm aware that use intergovernmental transfers to one extent or another, the most typical use is to help fund disproportionate share payments to hospitals which probably would not be subject to the Legislature since it's a formula that would have probably been passed by the Legislature at one point and then it depends on the hospital's costs for the individual year. That's the most common one that I'm familiar with.

SENATOR WITEK: So it does tend to run through the Legislature as far as approval for where the funds should go?

DICK BRUMMEL: Legislators typically...the ones I'm familiar with, will create a mechanism and for example the state of Missouri uses it to some extent, but it's simply a funding source that they acknowledge in the appropriation and the Department of Social Services in the state of Missouri calculates the rates and makes the payments.

SENATOR WITEK: Okay, they disburse the fund, but the decision makers are still within the elective legislative

branch on where the funds would go?

DICK BRUMMEL: To the same extent that I understand the Unicameral would be with this bill.

SENATOR WITEK: So it's kind of front-end...this is where we direct it then...

DICK BRUMMEL: Creating the mechanism.

SENATOR WITEK: Okay. Thank you.

SENATOR WESELY: Other questions? Well thank you for your patience and thank you for your assistance in making this possible.

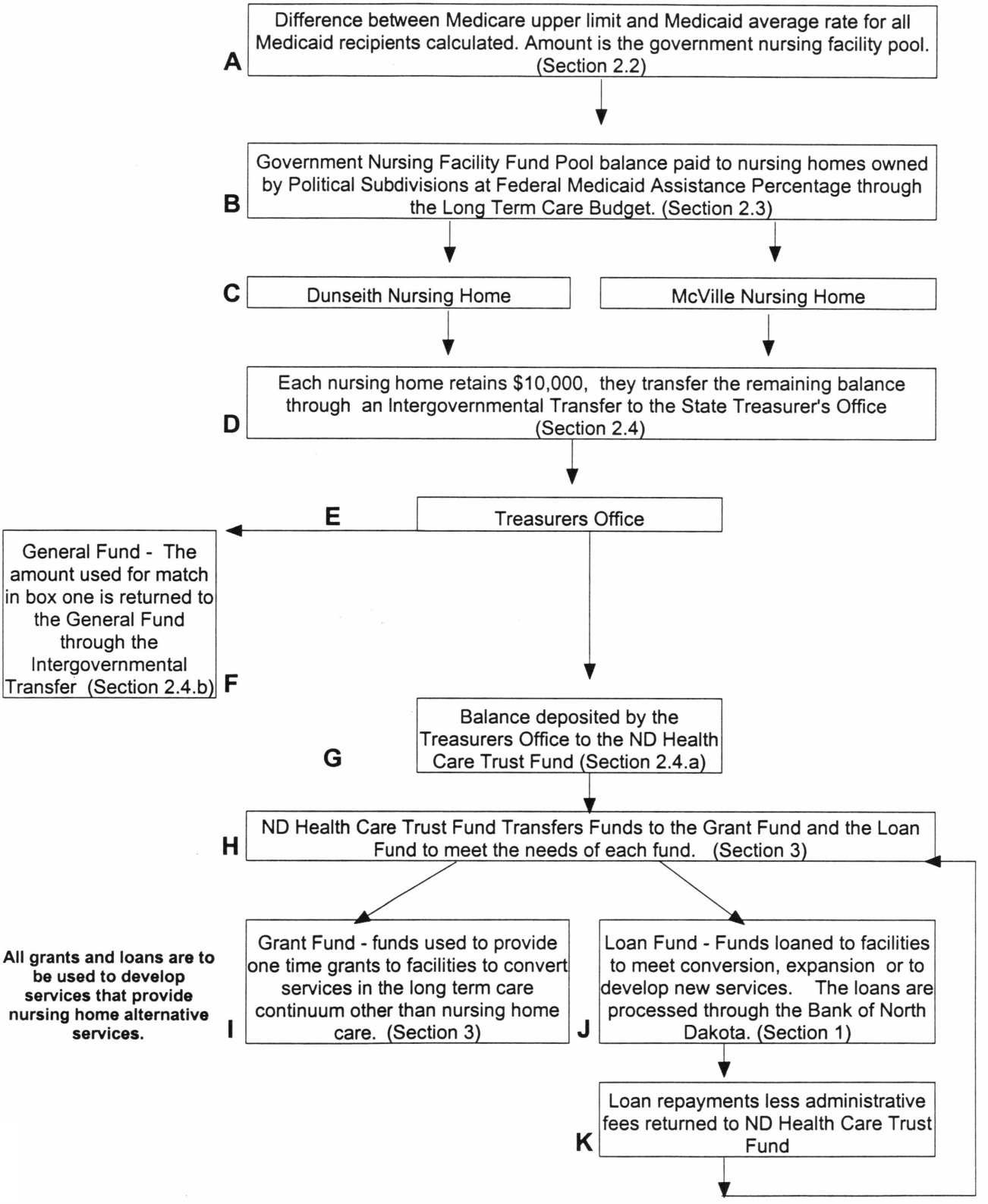
DICK BRUMMEL: Okay. Thank you.

SENATOR WESELY: We appreciate it a great deal. All right, next individual, whoever would like to come forward. As you're coming forward, let me note that we have a letter from the Nebraska Nurses Association supporting the bill, but they're not going to testify, so I think that's been distributed. (Exhibit 11)

GLEN BAUM: Senator Wesely and members of the Human Health and Human Services Committee, I...my name is Glen Baum, my wife is here with me, we're from Tecumseh, Nebraska. I'm on the church board there of our local church; my wife is on the board of the Maple Grove Home just southwest of Tecumseh, Nebraska and I...we opened a home there about...well, it was thirty-two years ago, in 1965, to help the aged people in our community. We closed it last week because of economic reasons, as well as probably the regulations. I mean, regulations and economic reasons caused us to close it. We built a twenty-eight bed home; this is just for your information, that just from the communities around. Our church members and other members around in our community in the Tecumseh area, built this home and now we have been forced to close it. We feel there's a need for a aged population base, something that we can use for either assisted living or some type of help for the aged. That was our mission when we started this. Now, I really don't know...quite know whether I should be for

Intergovernmental Transfer Program

The intergovernmental transfer program is designed to access federal funds. The funds are obtained by paying government owned facilities the difference between the average Medicaid rate and the Medicare upper limit



Fact Sheet: Intergovernmental Transfer (SB 2168)

What is it?

SB2168 was introduced by the Department of Human Services. It is designed to create an intergovernmental transfer program to access federal funds which will be used to develop alternatives to nursing facility care. This process is being used in Nebraska to generate additional funds

.

How does the intergovernmental transfer work?

1 Federal regulations allow the Department to pay nursing facilities owned by political subdivisions a different rate than that paid to nursing facilities that are not owned by a political subdivision. The maximum that can be paid by Medicaid to nursing facilities, in the aggregate, cannot exceed the Medicare Upper Limit.

Since the Medicaid rates, in the aggregate, do not exceed this limit, the difference (or gap between the two) can be paid to the political subdivisions (McVille & Dunseith), thus maximizing the Federal Funds available to the state. The Department estimates that this payment could be $10 million each year. Of this amount, about 70% is Federal Funds and 30% is state General Funds.

2 Once the McVille and Dunseith facilities receive the payment, they return the payment (less $10,000) to the Treasurer's Office by using an intergovernmental transfer.

3 The Treasurer's Office deposits the general funds that were used by the Department to make the initial payment, back into the general fund.

4 The remaining balance, approximately $7 million each year, is deposited into the North Dakota Health Care Trust Fund.

(SEE Flow chart on the back of this sheet)

How will these funds be used?

The Department proposes using these funds to create new alternatives to nursing home care by converting existing nursing home bed capacity to less restrictive alternatives such as assisted living, or to create alternatives in under-served areas of the state.

Maximizing the Federal Funds available to the state could, over the biennium, generate $14 million.

Why is DHS proposing this?

The bill will provide a source of funds to enhance current services and to create more choices for consumers. Through this intergovernmental transfer process, we hope to create a funding source to assist providers in developing less costly alternatives to nursing home services such as alternative residential services, which could enable older North Dakotans and people with disabilities to remain in their own homes and in their own communities longer. Providers will be able to access the money in the fund through grant and loan applications.

How will this meet the needs of North Dakota?

The elderly and disabled citizens of North Dakota and their families will benefit most. They will have more choices to meet their individual needs.

Finally, North Dakota benefits because it will help minimize future expenditures by providing less costly alternatives to nursing home care, thus reducing the tax burden. This will enable the state to better address the needs of its aging population.

When would this take effect?

If this bill became law, it would take effect after the Health Care Financing Administration's approval of a State Plan Amendment.

It is anticipated that this program would continue until the Federal government changes the policy allowing these types of transfer payments, or the aggregate Medicaid payment rate reaches the Medicare Upper Limit Rate.

Funding Facts:

The intergovernmental transfer could generate about $14 million dollars for the North Dakota Health Care Trust Fund over the biennium. (NOTE: This amount is after all funds used to make the payments are deposited back into the general fund.)

Summary prepared January 1999 by the North Dakota Department of Human Services(701) 328-2321.

ATTACHMENT C

JAN 2 [illegible]

Continuum of Care

January 20, 1999

- *Carrington Health Center*
- *Golden Acres Manor*
- *Lutheran Home of the Good Shepherd*

Mr. David Zenter, Director Medical Services
ND Department of Human Services
State Capitol – Judicial Wing
600 E. Boulevard Ave.
Bismarck, ND 58505-0200

Dear Mr. Zenter:

Carrington Health Center, Golden Acres Manor, and Lutheran Home of the Good Shepherd are pleased to submit our "Continuum of Care" proposal, for your review. This proposal is a culmination of numerous hours of work and thought, directed towards future needs for the elderly in our communities.

We, as providers of services to the elderly, are prepared and willing to address the needs of the future, ever cognizant of the limited financial resources, and the need to change for the future. Our proposal is intended to serve as a model of partnership and collaboration, not only for ourselves, but also other communities.

We believe that our proposal addresses concerns recognized by the State of North Dakota, long term care facilities, and our elderly. Our proposal will benefit all parties involved in services to the elderly.

We respectfully submit our proposal and hope it will meet with your approval. We look forward to working with you in providing a better future for the people we all serve.

Sincerely,

Brian J. McDermott
Carrington Health Center

Allan Metzger
Golden Acres Manor

Tim Hager
Lutheran Home of
the Good Shepherd

Carrington Health Center
PO Box 461
800 North 4th St.
Carrington, ND 58421
701-652-3141

Golden Acres Manor
East Main
Carrington, ND 58421
701-652-3117

Lutheran Home of
the Good Shepherd
1226 1st Ave. North
New Rockford, ND 58356
701-947-2944

CONTINUUM OF CARE

PROPOSAL

Respectfully Submitted

Brian J. McDermott
Carrington Health Center
Carrington, ND

Allan Metzger
Golden Acres Manor
Carrington, ND

Tim Hager
Lutheran Home of
the Good Shepherd
New Rockford, ND

TABLE OF CONTENTS

I. Who We Are

A unique partnership is developing between three diverse health care providers. Carrington Health Center is a co-located nursing home and hospital, owned by Catholic Health Initiatives. The Lutheran Home of the Good Shepherd, an independent affiliate of Lutheran Services in America, is a skilled nursing and senior housing provider. Golden Acres Manor is a free-standing for-profit skilled nursing home and senior housing provider.

The Lutheran Home of the Good Shepherd, located in New Rockford, is sixteen miles from Carrington, a rival community. Golden Acres Manor and Carrington Health Center have been competing for many years.

With the need to address the changing health care and long term care needs of our communities, these three facilities are collaborating to provide better and more appropriate services with an overall reduced cost to the State of North Dakota and to residents of our communities.

II. COMMUNITIES WE SERVE

Carrington is located in Foster County, 43 miles north of Jamestown. Carrington is at the Crossroads of US Highways 52 & 281.

Carrington is rural in nature, but cosmopolitan in its make up. With population approaching 3000, Carrington supplies all the needs of its community members. Most importantly, to many community members, are the health care services available in the community. Its 30 bed hospital was remodeled, along with a new section in 1986. The medical component enlists the services of 5 family practice physicians, 1 internist, 1 general surgeon, 2 physicians assistants, and over 25 consulting specialists. Carrington has two long term care facilities. Golden Acres is a 60 bed skilled facility, and the CHC Long Term Care Center is a 40 bed skilled facility for a total of 100 beds. The community has 1 chiropractor, 2 dentists, and 2 optometrists.

The health care components of Carrington service a wide market area from Hurdsfield to the west, Fort Totten to the north, McHenry to the east, and Jamestown to the south.

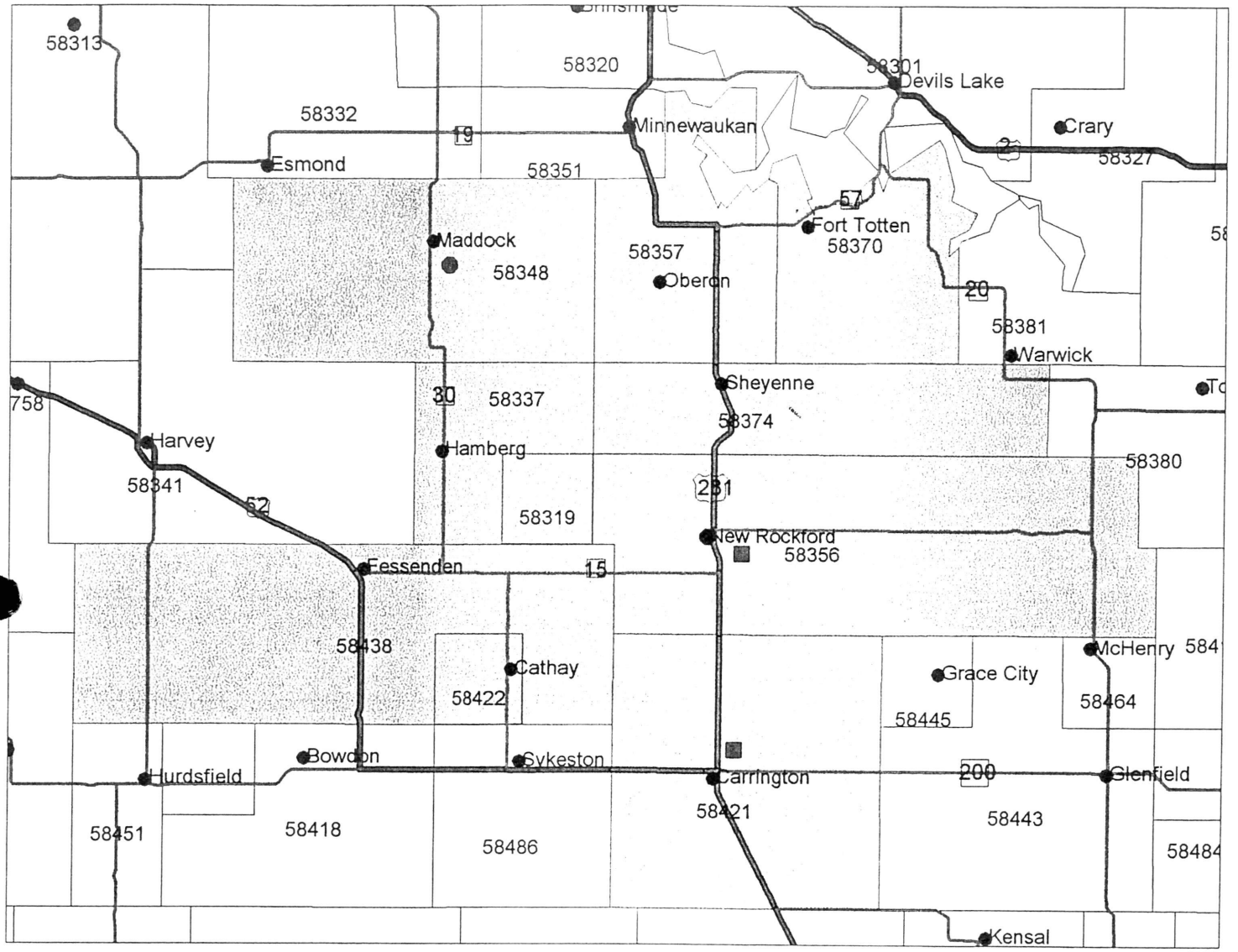
Carrington is rural agriculture based and shows strength in that area with the development of Dakota Growers Pasta Company and Ag-gro Oils, Inc. This strong industrial / agriculture base enhances the growth potential, which strengthens the health care sector.

New Rockford is a community with a population of 1800, located on US Highway 281. Carrington is 14 miles to the south. Like Carrington, it has the business services to sustain its viability.

The industrial sector is spearheaded by the Bison Processing Plant, along with secondary industrial businesses that support the community.

The Lutheran Home of the Good Shepherd is an 86 bed skilled facility. With the closure of the New Rockford Hospital a number of years ago, the skilled facility has become the corner stone of the health care delivery system. New Rockford has one dentist with the rest of the medical community emanating out of the Carrington Hospital, which makes a cooperative setting.

MAP OF MARKET AREA
NEW ROCKFORD, NORTH DAKOTA



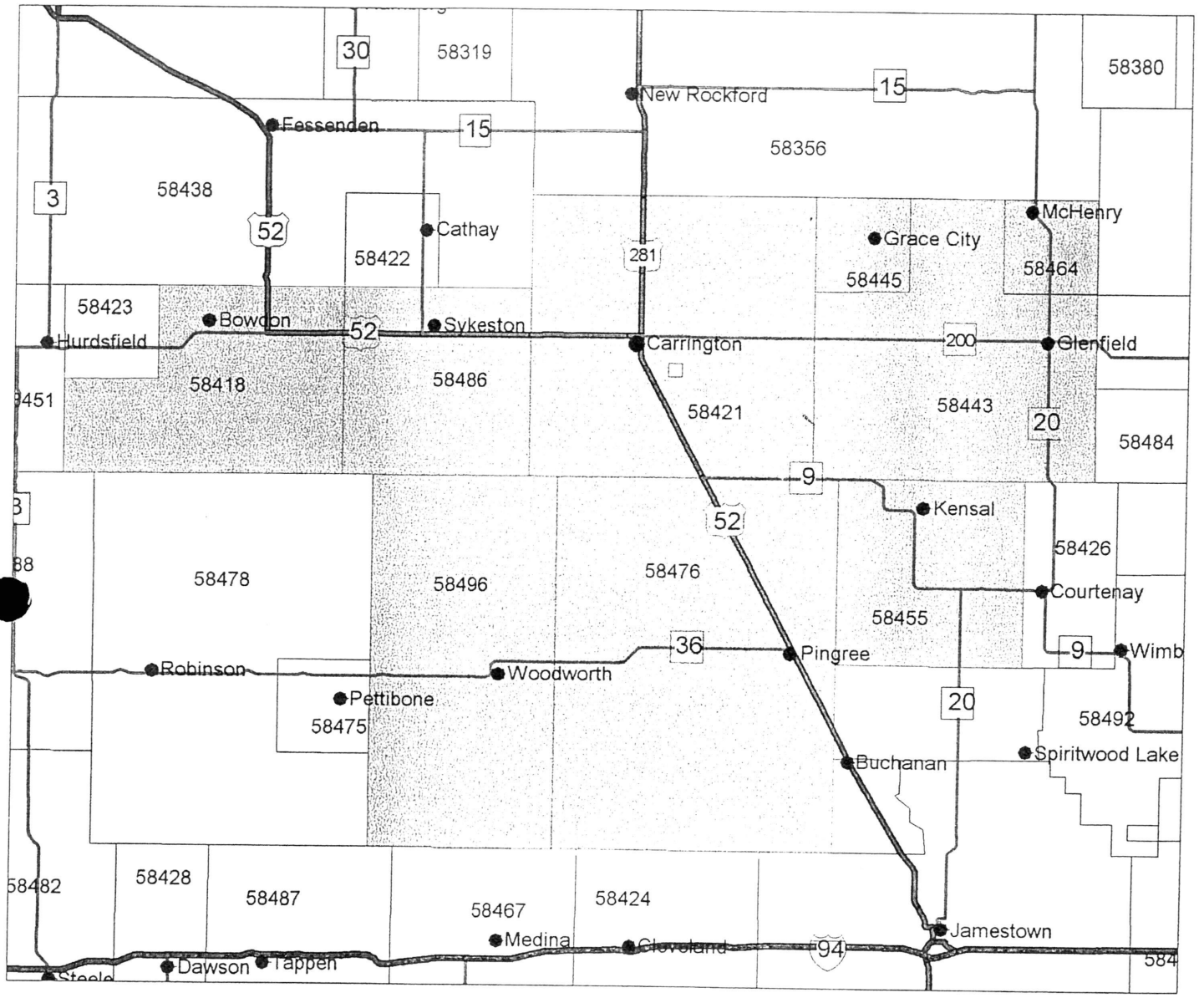
- New Rockford Market Area
- Basic Care Facility
- Independent Congregate Housing

New Rockford

Bismarck

Fargo

MAP OF MARKET AREA
CARRINGTON, NORTH DAKOTA



Carrington Market Area

Independent Congregate Housing

Carrington

Bismarck

Fargo

III. CURRENT SERVICES

Currently the Carrington and New Rockford communities have a total of 186 Skilled Nursing Care Beds, 34 Senior Independent Living Apartments, and a 30 bed Acute Care Hospital.

A detailed list of existing services follows this page.

Services Currently Offered

SERVICE	***SPONSORING ORGANIZATION***
Spiritual Services	CHC
Acute Care	CHC
Outpatient Services	CHC
Swing Bed	CHC
Clinic Services	CHC
Home Health	CHC
Homemaker Services	CHC
Respite Care	CHC
Skilled Care	CHC / GAM / LHGS (186 beds total)
Independent Living	GAM / LHGS (34 apartments total)
Support Groups	CHC
Mental Health	CHC Limited Outpatient Services
Public Health	Foster County
Ambulance Services	CHC

IV. Discussion

In May 1998, a historic meeting was held between the two nursing homes located in Carrington and New Rockford. The purpose of this meeting was to discuss the future of Long Term Care services and other services for the future.

All parties agreed problems exist that threaten our very existence and the delivering of services. It was further agreed that it was time we all begin working cooperatively for the good of our facilities and the communities we serve.

It was agreed that the number of skilled care beds in our service areas are excessive, and that lesser levels of care, that will be needed to serve our communities' needs, were absent We therefore agreed to the following goal:

Goal: To develop a Continuum of Care between the three nursing facilities in Carrington and New Rockford that would....

- Support each facility's Mission
- Strengthen the financial viability of each of the facilities
- Develop different levels of care that supports resident placement in the appropriate level of care
- Support the needs of the people we serve
- Protect the limited resources that support care for the elderly
- Reduce and/or eliminate the competition between the three facilities
- Develop a system of shared services, where possible, to reduce costs

Since our initial meeting in May, several meetings have been held between the three facilities. In addition, each of the different disciplines have met separately to discuss issues pertinent to their area of responsibility.

To date, the following areas of cooperation have been discussed:

1. Reduce the number of skilled care beds
2. Develop a Basic Care service
3. Develop a uniform charting system for all three facilities
4. Share continuing education
5. Share billing (PPS) system
6. Develop shared laundry service
7. Possibly develop one Medical Director for facilities
8. Develop a staffing pool
9. Develop a transportation system
10. Develop a case management system
11. Develop public education program on services and finance
12. Develop a hospice program
13. Develop a Wellness Program for Community
14. Rehab program for facilities

V. Progress

May 1998 The three facilities begin discussion on the future of services in our area. Goals developed.

June 1998 Meetings continued, CHC suggests eliminating 40 skilled beds and converting to Basic Care. LHGS discusses reducing bed capacity by 10-15 beds. Other collaborative services discussed.

July 1998 Report of the Task Force on Long Term Care Planning released.

Aug. 1998 YHR Partners, Architects and Planners, retained to conduct a planning study.

Sept. 1998 The three facilities meet with representatives of the North Dakota Department of Health and Department of Human Services.

Oct. 1998 Focus group interviewed in Carrington and New Rockford.

Focus group reports and assessment reports shared with the three facilities.

Nov. 1998 YHR makes recommendation regarding facilities and bed reductions. Confirms original discussion.

Plans for facilities tentatively developed.

Dec. 1998 Meeting with the three facilities, North Dakota Department of Health, North Dakota Department of Human Services, Long Term Care Association, Catholic Health Initiatives, to present proposal.

VI. Our Proposal

In order to protect the delivery of Long Term Care Services and the Communities of New Rockford and Carrington, we propose the following:

1. Carrington Health Center discontinue providing skilled nursing services at Long Term Care Center and de-license its 40 existing beds.

   Lutheran Home of the Good Shepherd downsize its current bed capacity from 86 beds to 73 beds.

   This will result in an initial 53 bed reduction in our service area, with the opportunity to reduce an additional 8 beds from the Lutheran Home of the Good Shepherd, and 17 beds from Golden Acres Manor by eliminating double occupancy beds. Resulting in a total of 78 beds being reduced.

2. Carrington Health Center converts its skilled care beds to a 24 bed basic care unit, assisted living, Adult Residential Care Model; providing another level of care that currently does not exist. In addition, this will allow residents to be appropriately placed in the level of care they require, rather than being prematurely placed in a skilled care facility. Currently residents requiring this service are forced to leave our community, never to return.

3. Lutheran Home of the Good Shepherd will establish a dementia unit to provide services to residents needing the specialized care. Currently, these residents are mixed into the general population of residents that creates unique problems to the dementia residents and the general residents.

   In addition, Lutheran Home of the Good Shepherd will remodel some existing areas to provide a more home like atmosphere to its residents.

4. Golden Acres Manor would maintain its current level of services, but will investigate plans for future reduction, based upon financial capabilities.

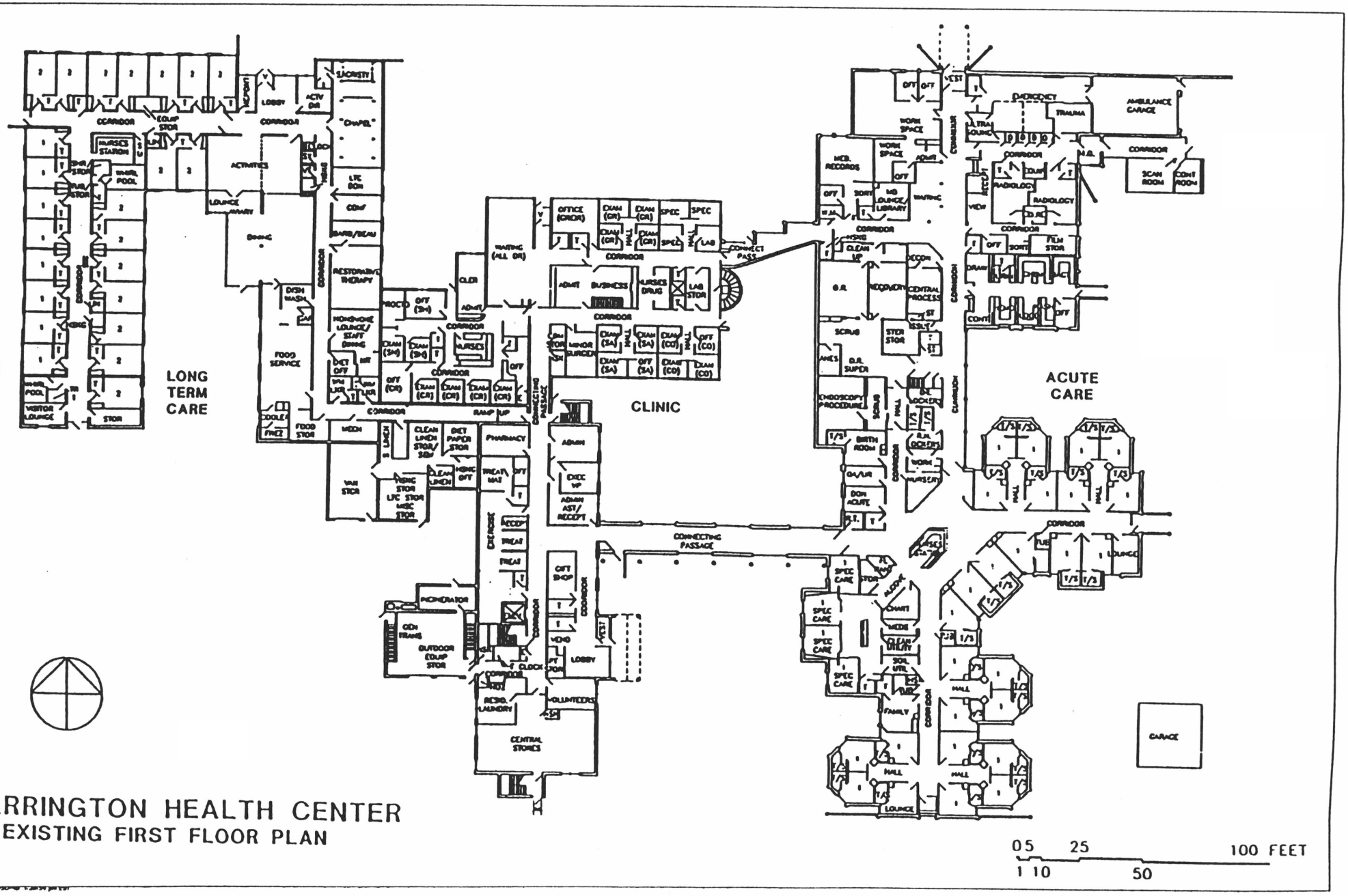
   Copies of the existing floor plan for all three facilities follow these pages, along with proposed changes.

5. Develop a transportation system to service the needs of the elderly within our communities. Utilization of this service is essential for the improvement of the elderly's socialization, medical appointments, and other necessary services. This service currently does not exist.

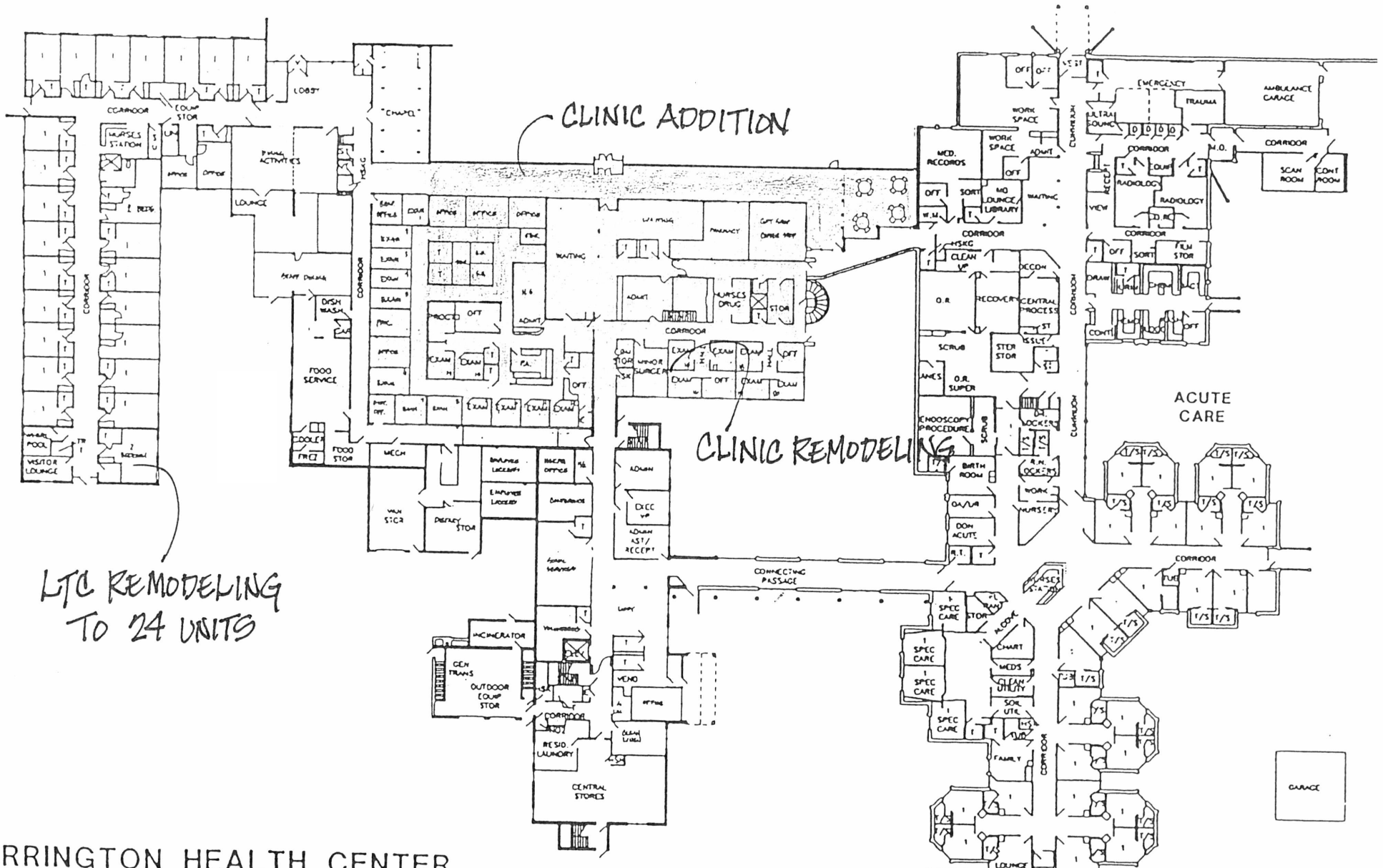
6. Carrington Health Center will expand its clinic facility to better serve its population. The Center recently recruited the services of a full-time internist and surgeon. The Center has contracted with a nurse practitioner who will begin services in May 1999. The Center is also in the process of recruiting a family practitioner to replace a physician who is in the process of retiring. In addition, a contract has recently been submitted to Indian Health Services, for Carrington Health Center to provide services to the residents of Fort Totten.

   The clinic is currently filled to capacity, and does not allow room for any additional practitioners. It is essential to the economics future of our community to expand the clinic.

7. Develop a Wellness Center to benefit the entire population of the Community. The Wellness Center will include rehab services to serve in addition to the general population, will serve former rehab patients, cardiac rehab occupational health patients, and patients.



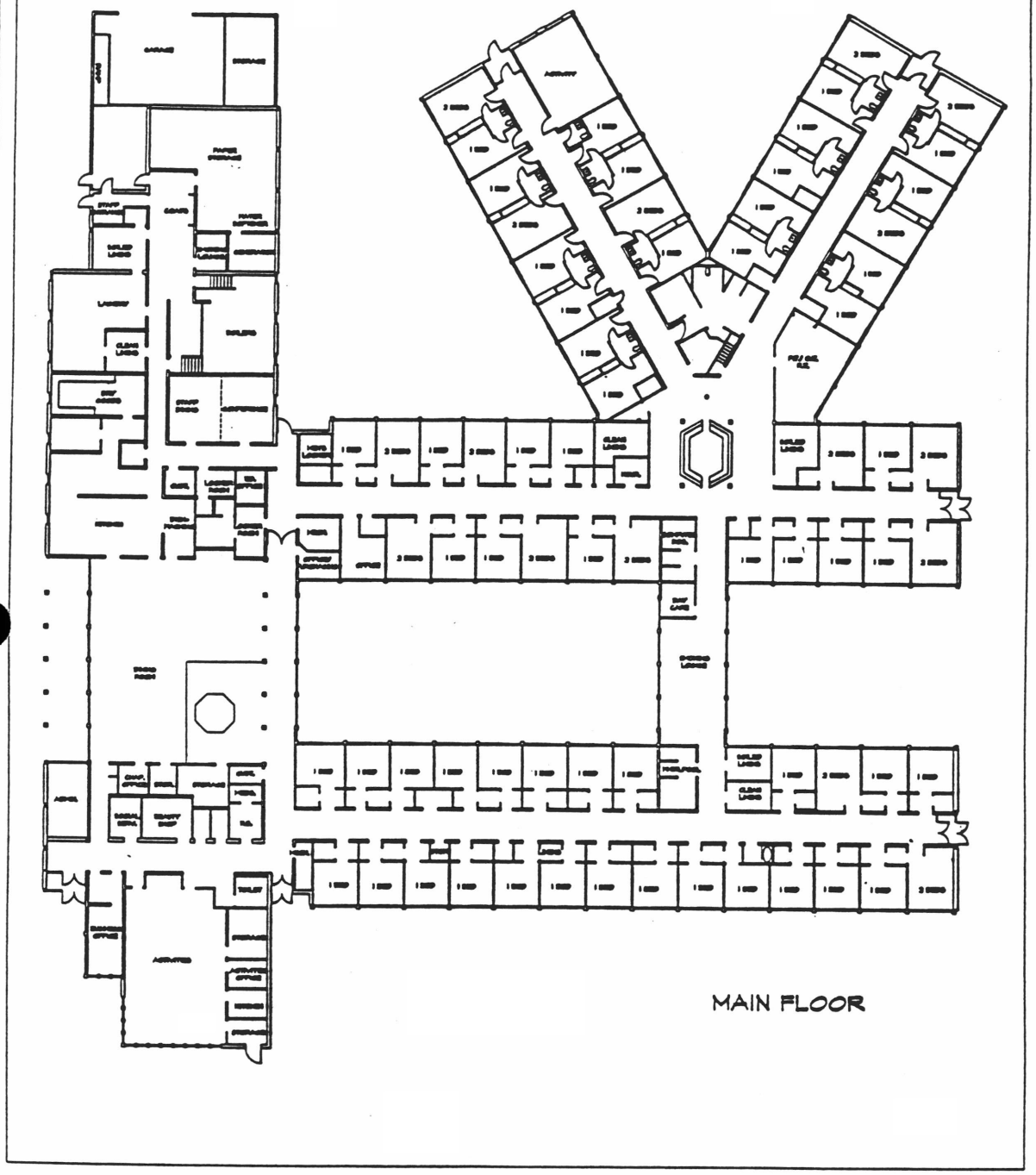
ARRINGTON HEALTH CENTER
EXISTING FIRST FLOOR PLAN



CARRINGTON HEALTH CENTER

FIRST FLOOR PLAN

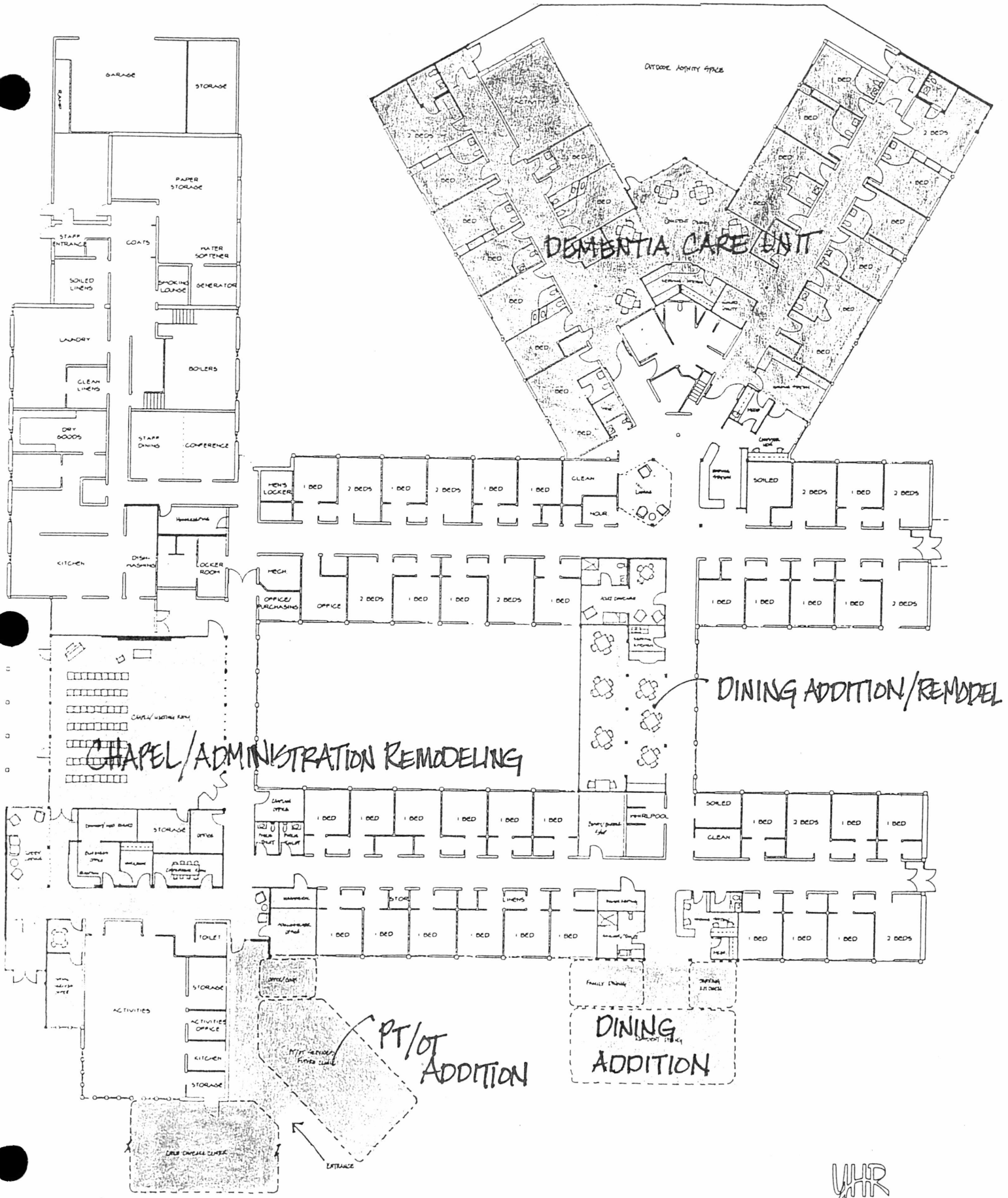
YHR PARTNERS
ARCHITECTURE PLANNING
420 MAIN AVE. BOX 818
MOORHEAD, MN 56560



LUTHERAN HOME OF THE GOOD SHEPHERD

NEW ROCKFORD, N.D.

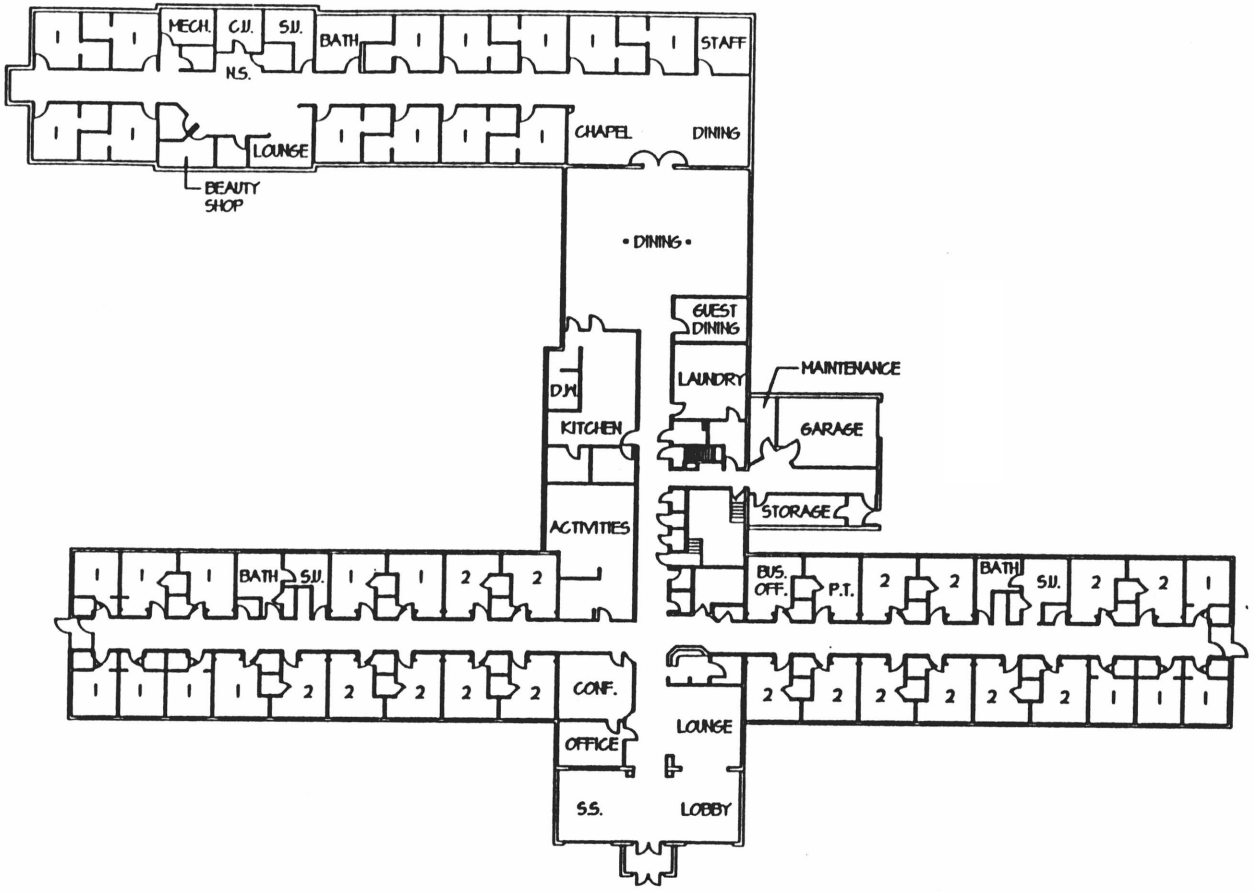
ARCHITECTURE PLANNING
420 MAIN AVE. BOX 818
MOORHEAD, MN 56560
PH: 218-233-7568 FX: 218-233-4422



LUTHERAN HOME OF THE GOOD SHEPHERD

NEW ROCKFORD, N.D.

YHR PARTNERS
ARCHITECTURE PLANNING
420 MAIN AVE. BOX 818
MOORHEAD, MN 56560
FX: 218-233-7988 PH: 218-233-4422



SCALE 1/32" = 1'-0"

GOLDEN ACRES
NURSING HOME
CARRINGTON, NORTH DAKOTA

YHR PARTNERS
ARCHITECTURE PLANNING
420 Main Ave, Box 818
Moorhead, MN 56560
Ph: 218-233-7969 Fx: 218-233-4422

Continuum of Care Possibilities

Service	Existing Services	Potential Services	Sponsoring Organization	Comments
[redacted] Management		X	CHC	In development phase
Spiritual Services	X		CHC	Each facility does its own, but could be expanded.
Acute Care	X		CHC	
Outpatient Services	X		CHC	Includes Rehab Services
Swing Bed	X		CHC	
Clinic Services	X		CHC	
Home Care Services	X		CHC	
Homemaker Services	X		CHC Public Health	
Respite Care	X	X	CHC	Partial program exists, needs development
Skilled Nursing Care	X		CHC, GAM, LHGS	186 beds total
Independent Living	X		GAM LHGS	16 Poplar Court 18 Heritage Village
Basic Care		X	CHC	
Assisted Living		X	CHC	
Support Groups	X	X	CHC	Some programs exist
Occupational Health		X	CHC	In development
Mental Health	X		CHC	Limited Outpatient service provided through MedCenter One
Dementia Care		X	LHGS	
Public Health	X		Foster, Eddy Counties	
Wellness/Education Program		X	CHC	
Transportation		X	CHC, GAM, LHGS	
Hospice Services		X	CHC	
Ambulance Services	X		CHC	
Adult Foster Care				Extremely limited market
A[redacted]Day Care				Extremely limited market
Adult Companion Program				Extremely limited market
Telephone Reassurance		X	CHC	

Continuum of Care Budget

Convert CHC 40 beds to Basic Care	$339,700
Expand Clinic at CHC	$658,000
Develop Dementia Unit at LHGS	$1,900,000
Other remodeling (Dining Rooms, Chapel, Rehab Area)	
Wellness Center	$381,250
Transportation System	$67,800
	$3,346,750.00

Cost per day charges
to operate facility:
$85.00 per day or below

A. Benefit to the Communities

Carrington Health Center, Golden Acres Manor, and Lutheran Home of the Good Shepherd each stepped back, taking an in-depth look at their operations and came to the same conclusions. To stand alone, in this ever-changing market, could spell economic disaster for any or all of the three facilities and our communities.

It was determined Carrington Health Center, Golden Acres Manor, Lutheran Home of the Good Shepherd were in the same market place. All three facilities are giving skilled care, at a time in the market place when state officials are pinpointing the fact that North Dakota has more than the national average of skilled beds, per 1000 elderly.

To help meet the challenges of the next generation of elderly, Carrington Health Center, Golden Acres Manor, and Lutheran Home of the Good Shepherd started meeting to take an in-depth look at the elderly we will be serving in the next 30 years. What we found was a sharp contrast to the elderly we presently serve. The elderly of tomorrow are more educated, having more diverse interests and wants. Their average age will be high 80's or low 90's with 2.5 primary diseases and on 4.3 medications. We will continue to see 50% of our elderly paying for their own services through personal funds, long term care insurance or assistance from families. The average elderly person will be more active, requiring more services.

With the growing number of elderly wanting the full range of care services, Carrington Health Center, Golden Acres Manor, and Lutheran Home of the Good Shepherd early on in our deliberations, understood portions of that delivery system were missing. The State Health plan defines health as, "a state of complete physical, mental, and social wellbeing and not merely the absence of disease or infirmity". When thinking of North Dakota's elderly population, this position gives validity to the diversity in levels of care being proposed. The State Health Council recognized the need to avoid a haphazard distribution of rural health care services as the result of social, demographic and economic forces in North Dakota. The proposed projects of Carrington Health Center, Golden Acres Manor, and Lutheran Home of the Good Shepherd will meet the diverse needs of the elderly, in our service areas, allowing them to keep their roots here and receive quality care.

B. Benefit to the Facilities

Reducing the number of skilled nursing home beds in the service area of New Rockford and Carrington will strengthen Golden Acres and the Lutheran Home of the Good Shepherd by helping those facilities run efficiently with a high occupancy percentage in the remaining beds.

Another benefit will be having appropriate levels of care in the nursing facilities. Having basic care beds available will allow discharge of residents that have improved during their skilled stay. This will also provide an appropriate setting for those that are at high risk living alone in apartment buildings in the communities.

The availability of a dementia unit at New Rockford will also allow for proper placement of those residents that are inappropriate for general skilled care. This will provide an overall increased efficiency in the system.

The introduction of basic care / assisted living beds, Residential Adult Care Model, to replace the 40 skilled beds at Carrington Health Center will provide a needed service that is not presently available in this service area.

Appropriate levels of care will be provided in the correct settings and at a higher level of efficiency. This will result in better care at an overall reduced cost.

VIII. Conclusion

Our proposal, if allowed to become a reality, will accomplish the following:

- Reduce the number of skilled care beds
- Provide a savings to the State of North Dakota
- Provide a savings to residents
- Strengthen the financial viability of each of the facilities
- Develop new needed services
- Allow patients to be placed in appropriate levels of care
- Make services accessible
- Develop a system of shared services, where possible, to reduce costs
- Support the needs of the people we serve
- Protect our community

We would like to serve as a model for the future, of what can be accomplished through partnership and collaboration, but we need your assistance.

We request assistance in the following areas:

- Legislation to implement this pilot program
- Funding source to make this pilot program a reality
- Approval of our pilot program, to begin implementation July 1, 1999

ATTACHMENT D

Prepared by the North Dakota
Department of Human Services
1/22/99

PROPOSED AMENDMENTS TO SENATE BILL NO. 2168

Page 4, line 3, remove "to the department for remittance"

Page 4, line 7, replace the first "all" with "for"

Page 4, line 24, remove "for each calendar quarter in"

Page 4, line 25, replace "each fiscal period" with "multiplied times the pool amount determined under subsection 2"

Page 6, line 17, replace "for" with "as a standing and continuing appropriation for the purpose of"

Renumber accordingly

"Reduced Physical Functioning A" Survey

March 1994

CONTACT HUMAN SERVICES DEPT FOR COPY

ND Health Care Trust Fund

Original Trust Fund Estimate		14,218,965
Less Rebasing		
Rebased Costs 3/29/99 Estimate	259,511,166	
Reprojection	251,376,672	
Additional Cost	8,134,494	
Federal % Estimate	70.00%	
Decrease due to Rebasing		(5,694,146)
Adjusted Projection		8,524,819
Less 1/2 for SPED		(4,262,410)
Adjusted ND Health Care Trust Fund Balance		4,262,410

Operating Costs

	HSPA V	HSPA IV	Total
Salaries & Fringes	111,384	101,494	212878
Equipment (Computers)	1,580	1,580	3160
Operating Costs	5,100	5,100	10200
	118,064	108,174	226,238

[redacted]ations and Cost to the Bank of North Dakota

Treasure's Office Information (Joan)

3 Month CD's	3.58%
Money Markets	3.05%

Bank of North Dakota Information (Tom Redmann)

Prime	7.75%
Commercial Lending Rate	8.75% (Per Tom Redmann, may vary based on risk etc., but he would recommend using this number)

Assumptions

Interest Paid on Last day of Month.
Loans are on a 25 year amortization (Same as used for DD Revolving Loan Fund)
Transfers to Grant & Revolving Loan Fund are paid out immediately.
The State Treasurer's Office will not incur any costs do to this program.

	Loan 1	Loan 2	Loan 3	Loan 4	Loan 5	Loan 6	Loan 7
Interest Rate (BND-2%)	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Term (Years)	25	25	25	25	25	25	25
Principal Pmt	3,662	0	3,707	3,713	0	3,901	0

1999-01	ND Health Care Trust Fund								Nursing Facility Alternative Grant Fund				Revolving Loan Fund							
	Beginning Balance	Deposit	Interest	Transfer	Loan Fund Interest Transfer	Principal Transfer	Salaries Fringes & Operating Costs @ 50%	Ending Balance	Beginning Balance	Deposit / Transfer	Grants	Ending Balance	Loan Balance	Deposit / Transfer	Loans	Loan Repayments Payment	Interest	Principal	BND Admin. Costs 0.500%	Ending Loan Balance	Transfer ND Health Care Trust Fund
Jul-99	0						(7,551)	(7,551)				0								0	0
Aug-99	(7,551)						(4,521)	(12,072)				0								0	0
Sep 30-99	(12,072)	2,131,205			0	0	(4,521)	2,114,612				0								0	0
Oct-99	2,114,612		6,309		0	0	(4,521)	2,116,400	0			0								0	0
Nov-99	2,116,400		6,314		0	0	(4,521)	2,118,193				0								0	0
Dec-99	2,118,193		6,319		0	0	(4,521)	2,119,991				0								0	0
Jan-2000	2,119,991		6,325	(1,059,996)	0	0	(4,521)	1,061,799		529,998	(529,998)	0		529,998	(529,998)	0	0	0		(529,998)	0
Feb-2000	1,061,799		3,168		2,981	681	(4,521)	1,064,108				0	(529,998)			3,662	(2,981)	681		(529,317)	(681)
Mar-2000	1,064,108		3,175		2,977	685	(4,521)	1,066,424				0	(529,317)			3,662	(2,977)	685		(528,632)	(685)
Apr-2000	1,066,424		3,181		2,974	688	(4,521)	1,068,746		0	0	0	(528,632)	0	0	3,662	(2,974)	688		(527,944)	(688)
May-2000	1,068,746		3,188		2,970	692	(4,521)	1,071,075				0	(527,944)			3,662	(2,970)	692		(527,252)	(692)
Jun-2000	1,071,075		3,195		330	696	(4,521)	1,070,775				0	(527,252)			3,662	(2,966)	696	2,636	(526,556)	(696)
Jul-2000	1,070,775		3,194	(1,072,969)	2,962	700	(4,653)	9		536,485	(536,485)	0	(526,556)	536,484	(536,484)	3,662	(2,962)	700		(1,062,340)	(700)
Aug-2000	9		0		5,976	1,393	(4,653)	2,725				0	(1,062,340)			7,369	(5,976)	1,393		(1,060,947)	(1,393)
Sep-2000	2,725	2,131,205	6,366		5,968	1,401	(4,653)	2,143,012				0	(1,060,947)			7,369	(5,968)	1,401		(1,059,546)	(1,401)
Oct-2000	2,143,012		6,393	(1,074,703)	5,960	1,409	(4,653)	1,077,418		537,352	(537,352)	0	(1,059,546)	537,351	(537,351)	7,369	(5,960)	1,409		(1,595,488)	(1,409)
Nov-2000	1,077,418		3,214		8,975	2,107	(4,653)	1,087,061				0	(1,595,488)			11,082	(8,975)	2,107		(1,593,381)	(2,107)
Dec-2000	1,087,061		3,243		8,963	2,119	(4,653)	1,096,733				0	(1,593,381)			11,082	(8,963)	2,119		(1,591,262)	(2,119)
Jan-2001	1,096,733		3,272		8,951	2,131	(4,653)	1,106,434		0	0	0	(1,591,262)	0	0	11,082	(8,951)	2,131		(1,589,131)	(2,131)
Feb-2001	1,106,434		3,301		8,939	2,143	(4,653)	1,116,164				0	(1,589,131)			11,082	(8,939)	2,143		(1,586,988)	(2,143)
Mar-2001	1,116,164		3,330		8,927	2,155	(4,653)	1,125,923				0	(1,586,988)			11,082	(8,927)	2,155		(1,584,833)	(2,155)
Apr-2001	1,125,923		3,359	(1,129,282)	8,915	2,167	(4,653)	6,429		564,641	(564,641)	0	(1,584,833)	564,641	(564,641)	11,082	(8,915)	2,167		(2,147,307)	(2,167)
May-2001	6,429		19		12,079	2,904	(4,653)	16,778				0	(2,147,307)			14,983	(12,079)	2,904		(2,144,403)	(2,904)
Jun-2001	16,778		50	0	1,340	2,921	(4,654)	16,435		0	0	0	(2,144,403)	0	0	14,983	(12,062)	2,921	10,722	(2,141,482)	(2,921)
Total	0	4,262,410	76,915	(4,336,950)	100,187	26,992	(113,119)	16,435	0	2,168,476	(2,168,476)	0	0	2,168,474	(2,168,474)	140,537	(113,545)	26,992	13,358	(2,141,482)	(26,992)

Total Salaries, Fringes & Operating	226,238
50% Match	50%
Special Funds Required	113,119

Interest	(113,545)
BND Payment	13,358
Net to Trust Fund	(100,187)
Trust Fund Balance	100,187

TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
HUMAN RESOURCES DIVISION
REGARDING SENATE BILL 2168
MARCH 11, 1999

Chairman Svedjan, members of the committee, I am Sheldon Wolf, Assistant Director of Medical Services for the Department of Human Services. I appear before you today to provide you with information and to support the Intergovernmental Transfer Program created by Senate Bill 2168.

This program is patterned after the Intergovernmental Transfer program that was initiated by the State of Nebraska and has received Health Care Financing and Administration approval in that State. Attachment A is the testimony of Mr. Dick Brummel, Associate Regional Administrator for Medicaid and State Operations in the Kansas City regional office of the Healthcare Financing Administration to the Nebraska Committee on Health and Human Services on January 29, 1998 regarding LB1070. The testimony concerns the appropriateness of using an Intergovernmental Transfer and the use of the funds generated by the Transfer. Mr. Brummel indicates on page 106 that "Congress made it very clear that this particular funding mechanism is appropriate." I encourage you to read Mr. Brummel's testimony, it provides useful information regarding the Federal position on the Intergovernmental Transfer.

The Intergovernmental Transfer Program is being used by Nebraska to create additional funding for other alternative projects. We estimate this program will generate almost $15 million dollars in North Dakota to be used for grants and loans during the 1999-2001 biennium without utilizing General Fund dollars. This estimate is based on 1997 data and does not take into consideration nursing facility rebasing. If nursing facility rebasing remains in SB2012, the amount generated by this bill will

be decreased by approximately $7 million dollars.

The premise for this program is based first on Federal regulations that allow the Department to pay nursing facilities owned by political subdivisions a different rate than that paid to nursing facilities not owned by political subdivisions; and second that the total amount paid to all nursing facilities in the State may not exceed the amount Medicare would pay. Since the Medicaid rates, in the aggregate, do not exceed the Medicare limit, the difference can be paid to the nursing facilities owned by political subdivisions in North Dakota. We have two such nursing homes, McVille and Dunseith.

Attachment B is a fact sheet and a flow chart explaining the program. I will be referring to the flow chart for the next portion of my testimony. In the flow chart, I have identified each box by a letter which I'll explain below. The section number indicated in selected boxes of the flow chart relate to the section number in Senate Bill 2168.

The process starts (Box A) with the determination of the government nursing facility pool. This pool is developed by calculating the difference between a facility's average Medicaid rate and the Medicare Upper Limit times the facility's Medicaid Days. These differences, either positive or negative for the 84 nursing facilities in North Dakota are totaled together to arrive at a statewide government nursing facility pool.

Attachment C shows, in very simple form, the calculation process that will be used to determine the government nursing facility pool. The calculation is completed for each facility based on the Medicare and Medicaid rates in effect at that time. As you can see by the example, the calculation can get very complicated with individual Medicaid and Medicare rates for each facility. Plus each facility's Medicaid rate

changes each January 1 with an occasional rate change during the year for special circumstances. The Medicare rate also changes once a year based on the facilities fiscal year which doesn't always correspond with the Medicaid changes. All these rate changes must be incorporated into the calculation process.

Additionally, the process is going to be even more difficult the first couple of years as both Medicare and Medicaid have made payment policy changes. Medicaid changed from 16 rates based on the Resident Classification Review system to 34 rates based on the Minimum Data Set starting January 1, 1999. Medicare is in the process of changing to a prospective payment system that is being put into place over a period of four years. The first year, the facility rate is based 25% on the prospective payment rate and 75% on the facility rate, 50:50 the second year, 75:25 the third year and a hundred percent prospective payment system the fourth year. These different Medicare rates go into effect at different times for each facility. The effective date is based on their fiscal year end.

The Department's funding estimate for this bill is based on 1997 Medicaid days, Medicaid rates and the Medicare rates. The Long Term Care Industry has recently obtained additional information from the Medicare Fiscal Intermediary which they graciously shared with the Department. This information indicates that the rates from year one to year two will increase approximately 10%.

The Department did not modify it's original estimate for this calculation because:

1) The 10% estimate obtained by the Long Term Care Industry was only for the top 26 of the total 44 minimum data set classifications. The Department uses 34 classifications in the Medicaid system which incorporate the 26 Medicare rates into 16 rates plus 18 more classifications which Medicare usually does not pay for.

2) The 10% estimate is based on an average of the top 26 rates. The calculation used to determine the pool must be based on the number of days in all

the classifications for each facility. Resident days are not split evenly between each rate classification, and based on past Medicaid data, it is more likely that more days will be in the lower cost classifications, thus potentially overstating the estimate.

3) As indicated above, the Senate has included in SB2012 to the House, nursing facility rebasing and an inflation factor based on 50% DRI and 50% CPI which will decrease the amount of funds generated by this process by $7 Million Dollars. Additionally, it is anticipated that there will be an increase in the Medicare rate, thus increasing the amount of funds that could have been generated by the Intergovernmental Transfer. Since nursing facility rebasing was not included in our originally estimate and neither was the potential increase in the Medicare Upper Limit, we did not recalculate our estimate.

Based on these three reasons, the Department has kept the original estimate because it was based on actual Medicaid days, Medicaid rates and Medicare rates in effect at that time, and not based on assumptions, estimates in days or rates. The original SB2168 had included continuing appropriations because the amount generated by this bill was an estimate and the changes in payment policies, could not be accurately estimated. Senate bill 2168 to the house removed the continuing appropriation but does include a modified version because of the lack of solid data to make the estimate and to ensure that we can access all of the funds. The section of the bill that includes this language is Section 4 and provides, in part, that, "...the department of human services may increase the amount paid which funds are hereby appropriated, subject to emergency commission and budget section approval."

Box B and C explain how the transfer is made. The Department pays (Box B) the amount identified as the government nursing facility pool (Box A) to the two politically-owned-subdivision nursing facilities, Dunseith and McVille (Box C), based on a percentage of inpatient days to total inpatient days for the two facilities for the

fiscal period. This payment is made from the Department's Grants appropriation like any other Medicaid payment. Federal financial participation is claimed on the payment at the Federal Medical Assistance Percentage applicable at the time of the payment, approximately 70% Federal and 30% General Funds. The pool payment is estimated at $20.3 million for the 1999-2001 biennium.

Upon receipt of the pool payment the two nursing facilities transfer the balance (Box D), less $10,000, to the State Treasurer's Office through an Intergovernmental Transfer (Box E).

Upon receipt of the funds, the Treasurer's Office transfers (Box F) to the General Fund ALL GENERAL FUNDS used for match during the initial payment to the two political-owned-subdivision nursing facilities in Box B. The balance, which we estimate will be $7.1 Million dollars each year of the biennium, is then transferred to the ND Health Care Trust Fund (Box G). The $10,000 retained by each of the political subdivisions in Box D is taken out of the funds generated by the process, NOT the general fund dollars.

From the North Dakota Health Care Trust Fund (Box H), the Department will be able to transfer funds to each established sub-fund.

Funds transferred to the Grant fund (Box I) from the ND Health Care Trust Fund will be paid to providers to cover such things as training costs, startup costs and first year losses on new projects.

Box J & K identify the Loan Fund. The funds transferred to this fund will be loaned out to facilities at a reduced rate for conversion projects or new projects in an area that is under served. The loans will be handled through the Bank of North Dakota with interest rates 2% less than the going rate for similar loans at the bank with a

maximum interest rate of 7% and a minimum of ½%. The Bank of North Dakota is paid an administrative cost of ½% of the outstanding loan balance. As indicated by Box K and the arrow to Box H, the principal and interest earned on these loans are returned to the ND Health Care Trust Fund to be granted or reloaned through the Intergovernmental Transfer Program process.

To have a loan or grant application approved, the applicant must demonstrate that conversion of a nursing facility or a portion of the facility, to an alternative that offers more efficient and economical care to individuals requiring long term care services or is unlikely to be available in the area for individuals eligible for services under the Medicaid Program. For other types of entities to be eligible, they must demonstrate that the long term care continuum of need they are filling is in an under served area as determined by the Department.

The Department will adopt the rules establishing the application process, the criteria to determine eligible entities to receive funding, including minimum occupancy rates, allowable costs, and refund methods, the criteria for rates and amounts of funding, and other procedures necessary to properly administer the program.

To develop this criteria, evaluate proposals, and administer the program, we estimate that it will take two FTE's. The estimated cost of the two positions and the associated operating costs are $226,238, 50% of which is Federal and 50% will be from the funds generated through the Intergovernmental Transfer Program. These positions are not included in the Department's appropriation bill.

The Department, and the Industry plan to use these funds proactively. We anticipate using these funds to help nursing facilities convert existing beds to less costly and less restrictive settings. This will allow the Department to access more services for the same or fewer dollars currently being spent on nursing facility

services.

The Carrington Health Center and Golden Acres Manor, both in Carrington, and the Lutheran Home of the Good Shepherd in New Rockford are working on plan to do this. It is my understanding that they will testify after I am done on their plans, but I want to applaud them for pro-actively working together to meet the current and future needs of citizens in their communities.

Attachment D identifies the proposed amendments to this bill.

The amendments to the bill from the first one to the third from the end align the bill with other legislation, namely SB2036.

The amendment to section 5, Page 10, line 2, relates to the amount of funds appropriated. The $14,785,540 included in the engrossed bill from the Senate is only for the estimated amount of the grant and loan payments from the Health Care Trust Fund, it does not include the amounts required to operate the fund. The amendment requests that this amount be changed from $14,785,540 to $15,060,290. The difference is made up of an estimated Bank of North Dakota administrative fee of $48,512 and the salary, fringe benefits, data processing, equipment and other costs for the two professional staff included in the bill to run this program of $226,238. Without either of these, the Department will be unable to create the pool, manage the trust funds and utilize the Bank of North Dakota for loan processing.

The last amendment, which modifies Section 5, adds the language " In the event additional amounts in excess of $15,060,290 become available during the biennium based on the calculation in section 2 of this Act, the department of human services may increase the amount paid which funds are hereby appropriated, subject to emergency commission and budget section approval." This language was included

in Section 4 - The Government Nursing Facility Funding Pool, but was not included in Section 5 when the Senate amended the bill to delete the continuing appropriation language. Without this change, if the amount of funds available in the pool exceed the Department's estimates, the Department will be able to access the federal funds, with emergency commission and budget section approval, but will not be able to use the funds in excess of $14,785,540 once they are in the health care trust fund for loans and grants.

If you have any questions, I would be happy to answer them at this time.

EXAMPLE

ATTACHMENT C

Demonstration Facility
Nursing Facility Daily Rates
July 1, 19xx to June 30, 19xx

			GOVERNMENT NURSING FACILITY POOL CALCULATION					
			Medicaid Rate	Medicaid Days	Total (Medicaid Days * Medicaid Rate)	Medicare Rate	Total (Medicaid Days * Medicare Rate)	Difference
Nursing Home A	***Rates Effective 7-1 to 12-31***							
Extensive Services	34 rates	SE3	$155.37	155	24,082.35	165.00	25,575.00	1,492.65
Extensive Services		SE2	$123.84	165	20,433.60	130.00	21,450.00	1,016.40
Extensive Services		SE1	$112.53	120	13,503.60	118.00	14,160.00	656.40
					58,019.55		61,185.00	3,165.45
Nursing Home A	***Rates Effective 1-1 to 6-30***							
Extensive Services	34 rates	SE3	$170.50	120	20,460.00	166.50	19,980.00	(480.00)
Extensive Services		SE2	$138.97	154	21,401.38	131.83	20,301.82	(1,099.56)
Extensive Services		SE1	$127.66	130	16,595.80	118.90	15,457.00	(1,138.80)
					58,457.18		55,738.82	(2,718.36)
Nursing Home B	***Rates Effective 7-1 to 12-31***							
Extensive Services	34 rates	SE3	$140.38	201	28,216.38	185.00	37,185.00	8,968.62
Extensive Services		SE2	$108.85	120	13,062.00	139.00	16,680.00	3,618.00
Extensive Services		SE1	$97.54	145	14,143.30	122.00	17,690.00	3,546.70
					55,421.68		71,555.00	16,133.32
Nursing Home B	***Rates Effective 1-1 to 6-30***							
Extensive Services	34 rates	SE3	$155.51	150	23,326.50	191.00	28,650.00	5,323.50
Extensive Services		SE2	$123.98	80	9,918.40	143.00	11,440.00	1,521.60
Extensive Services		SE1	$112.67	190	21,407.30	126.00	23,940.00	2,532.70
					54,652.20		64,030.00	9,377.80

Continue For All Nursing Homes

Total of Pool 25,958.21

ATTACHMENT D

Prepared by the North Dakota
Department of Human Services
3/10/99

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2168

Page 1, line 4, replace "adult residential" with "basic"

Page 1, line 16, replace "adult residential" with "basic"

Page 5, remove lines 1 through 21

Page 5, line 22, replace "2" with "1"

Page 5, replace lines 24 through 26 with:

"2. "Assisted living facility" has the meaning provided in section 50-24.5-01, but if the term is not defined in that section, means a facility that:

a. Makes response staff available at all times;

b. Provides housing and:

(1) Congregate meals;

(2) Kitchen facilities in each resident's living quarters; or

(3) Any combination of congregate meals and kitchen facilities in each resident's living quarters sufficient to assure each resident adequate access to meals;

c. Assures provision of:

(1) Personal care, therapeutic care, and social and recreational programming;

(2) Supervision, safety, and security;

(3) Medication services; and

(4) Transportation services;

d. Fosters dignity, respect, and independence by allowing, to the maximum extent feasible, each resident to determine the resident's

service providers, routines of care provision, and service delivery; and

e. Services five or more adult residents, unrelated to the proprietor, on a specified premises not licensed under chapter 23-20 or 25-16, which meets the requirements of the national fire protection association 101 Life Safety Code, as applicable.

3. "Basic care facility" has the meaning provided in section 23-09.3-01."

Page 5, line 29, replace "adult resident" with "basic"

Page 6, line 1, replace "adult residential" with "basic"

Page 7, line 10, replace "adult residential" with "basic"

Page 7, line 13, replace "adult residential" with "basic"

Page 7, line 15, remove "adult"

Page 7, line 16, replace "residential" with "basic"

Page 7, line 26, remove "adult"

Page 7, line 27, replace "residential" with "basic"

Page 8, line 1, replace "Adult residential" with "Basic"

Page 8, line 13, replace "adult residential" with "basic"

Page 8, line 16, replace "adult residential" with "basic"

Page 9, line 11, replace "adult residential" with "basic"

Page 10, line 2, replace "$14,785,540" with "$15,060,290, including $48,512 for administrative service fees imposed by the Bank of North Dakota and $226,238 for administrative and operating costs of the department of human services,"

Page 10, after the period, insert "In the event that additional amounts in excess of $15,060,290 become available during the biennium based on the calculation in section 2 of this Act,

the department of human services may increase the amount paid which funds are hereby appropriated, subject to emergency commission and budget section approval."

Renumber accordingly

Testimony on SB 2168
House Appropriations Committee - Human Resource Division
March 11, 1999

Chairman Svedjan and members of the House Appropriations Committee - Human Resource Division, thank you for the opportunity to testify on SB 2168. My name is Shelly Peterson, President of the North Dakota Long Term Care Association. I am here today to testify on behalf of the Association.

I am here today to ask for your support of SB 2168. Ten months ago I became aware of "Intergovernmental Transfer" revenue from my colleague in Nebraska. Upon further investigation I found other states using this revenue source for long term care and felt North Dakota could benefit. The North Dakota Long Term Care Association immediately began urging the Department of Human Services and Governor Schafer to apply for "Intergovernmental Transfer dollars," and I'm pleased we are before you today to urge your support of this valuable funding resource.

I want to stress five main points:

1. This is <u>not</u> a loop hole, something we are going to sneak by the federal government. This is a legitimate funding resources meant to benefit long term care in the states. Congress reviewed this provision in the law this past year and chose not to change it. In speaking with the states who utilize this funding mechanism, they believe it is here to stay and have the support of Congress.

2. Some states have been utilizing this funding mechanism since the early 1990's – Let me share with you the experience of five states:

   Nebraska Experience:

   In 1998 the State of Nebraska received approval and funding from the federal government for their intergovernmental transfer program. Nebraska anticipates receiving over 50 million dollars annually. Nebraska is using the intergovernmental transfer money for three purposes:

   a. Conversion of nursing home beds to assisted living beds
   b. The state share of the Children's Health Insurance Program and
   c. The Excellence in Health Care Grant Program.

Pennsylvania Experience:

Pennsylvania has received intergovernmental transfer funding since 1992. The amount of money received in 1998 was $823,907,000, the largest annual receipt to date for Pennsylvania. The majority of money received is to fund nursing facility expenditures. (See report from County Commissioners Association of Pennsylvania)

Michigan Experience:

Michigan has received intergovernmental transfer funds since 1993. In 1998 Michigan received 317 million from this funding source. The money is used for Medicaid expenditures.

Minnesota Experience:

Minnesota has received intergovernmental transfer funds since 1992. Minnesota utilizes the funds for Medicaid expenditures.

New York Experience:

Last year New York received 1.2 billion in Intergovernmental funds.

I want to expand upon the Pennsylvania experience. Attached you will find a report from the County Commissioners Association of Pennsylvania. As you will see from the report the vast majority of the money is used to fund long term care, over 537 million in 1998. Please note the "negotiated agreement" between the state and county nursing facilities. Each hold an important role in this process, both entities are necessary to effectuate intergovernmental funds. To put it into perspective the legislature approves the process, the Department of Human Services submits a State Plan Amendment for Federal Government Approval and the two city facilities, located in Dunseith and McVille must agree to participate in this process. If one party doesn't participate, state or governmental facility, the process will not work and funding will never come into the state.

This necessitates a partnership, working together to forge a win-win for all parties. Dunseith and McVille are rural nursing facilities working hard to succeed and wish to work in partnership with the legislature on this endeavor.

3. SB 2168 and Lost Federal Funds

As you are aware as the Medicaid rates increase, coming closer to the Medicare rates, we will not be able to access as many federal funds. Also true, is the fact as Medicare rates increase we will be able to access more federal dollars. In the next three year period of time, 95% of nursing facility providers will experience an increase in their Medicare rates. The Medicare Fiscal Intermediary is expecting an increase in nursing facility rates from 9 to 11 percent this year alone.

Remember these are federal funds never before accessed by North Dakota. They are new dollars coming into the state. If we decreased Medicaid rates or didn't allow rebasing, yes we'd be able to access more federal funds, but at what expense would we be receiving the money?

It doesn't seem right to me that we'd purposely not rebase so we could access more federal funds. We believe we need to properly fund care and then access federal funds to deliver alternative care. Also note that rebasing, if supported by the legislature, would not be implemented until the year 2000. Assuming the state would apply for these funds in 1999, combined with our higher Medicare rate, this could result in a higher number of Intergovernmental funds.

4. Nursing facilities are moving toward downsizing and development of alternatives and are excited about the opportunity this funding could have in their communities. Data suggests that there is an oversupply of nursing facility beds in North Dakota, and a corresponding lack of alternative living arrangements for the elderly and persons with disabilities, especially in rural North Dakota. Occupancy in some rural nursing facilities is dropping and we are having difficulty throughout all of North Dakota recruiting direct care staff.

If long term care services are not maintained, at some level in smaller communities, older and disabled individuals may be forced to go to our mid-sized and larger cities for long term care services. If the nursing facility can diversify into alternatives, continue to serve those most critically in need of long term care, with fewer beds; this will allow many communities to maintain their older population and thrive in the future.

We are moving this direction, with many nursing and basic care facilities evaluating community needs and developing plans for the future. This diversification began prior to our knowledge of Intergovernmental , however this funding will move us more quickly into alternatives and help us to better serve our aging population.

5. Shortfall in nursing facilities funding.

As you heard when we testified before you on SB 2012, nursing facilities are struggling with limits and the loss of millions of dollars in revenue. If you support our position on this issue but find it difficult to support SB 2012 as currently crafted by the Senate, SB 2168 is an allowable source for rebasing.

No matter what we do with alternatives, we must assure proper care and services to those who need nursing facility care. We can do alternatives with or without your support and we are already moving that direction. What we can't do without your support, is have proper funding for current nursing facility residents and those in the future that will need our care. As you are aware the 1987 Equalization of Rate legislation makes our funding totally dependent on legislative action. So as you determine your priorities in SB 2012, consider SB 2168 as a potential source for rebasing.

In summary, thank you for your consideration of SB 2168. This legislation will allow us to transition into a less institutional model of care and allow rural communities to better serve their aging population. Also most importantly, it provides you with another option for adequately funding nursing facility residents that are in need of quality 24 hour care today. As we shared with you last week we are gravely concerned about the average number of deficiencies, "G" level deficiencies and CNA turnover of 61%. Regulations have grown tremendously in the last 10 years and we need your help to meet them.

I am pleased to share with you a special project that has been planning and developing over the past 10 months. SB 2036, which has already passed the Senate and House will allow this project to be considered by the Department of Human Services. SB 2168 could potentially fund some, all or portions of the project. The Department will develop by rule those eligible for funding under SB 2168 and the application process. We anticipate being actively involved in the development and review of those rules.

Let me introduce to you Brian McDermott of Carrington Health Center Long Term Care and Tim Hager of Lutheran Home of the Good Shepherd in New Rockford. They are here today to share with you their plan for meeting the needs of the aging population in their communities. They embarked on this project because they view it as the right thing to do.

Prior to hearing from them I would be happy to address any questions you might have.

Shelly Peterson, President
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